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TESTIMONY OF PROFESSOR MORTON J. TENZER

(UNIVERSITY OF CONNECTICUT)

ON BEHALF OF THE AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

~~June 27,~~ October 11, 1985

~~Mr. Chairman~~ Senator Dodd and Members of the Subcommittee:

I am Morton J. Tenzer, professor of political science and director of the Institute of Urban Research at the University of Connecticut. I appear here today as past chairman of the Committee on Government Relations of the American Association of University Professors, the nation's largest and oldest professional association of college and university faculty members.

In a letter to ~~the chairman~~ Mr. Ford and Mr. Coleman of the House Education and Labor Committee dated April 29, 1985, (attached) which accompanied a series of recommendations for reauthorization of the Higher Education Act of 1965, the American Association of University Professors expressed on behalf of faculty grave concern over the growing indebtedness of students. In our letter we noted that students have taken on an enormous burden of personal debt estimated to be well over $50 billion. We believe it is necessary to redress the balance between loans and grants in the federal student assistance programs. We are concerned that continued sharp increases in student indebtedness under the Guaranteed Student Loan program will endanger the rest of the federal student assistance programs and put at risk the principle of equal educational opportunity. From our vantage point on the campuses the situation is urgent. As a partial remedy, we have recommended the consolidation of the Pell Grants and the Supplemental Educational Opportunity Grants into a larger Pell Grant that would provide a $5,000 maximum award or 75% of the costs of attendance, whichever is less. We believe graduate students should be eligible for two years of Pell Grants. But perhaps more significantly we recommend that the Pell Grant become a true legal entitlement comparable to Guaranteed Student Loans. Changes of this nature, we believe, would demonstrate a stronger national commitment to equal educational opportunity.

We focus our attention on Pell Grants because they represent society's commitment to expand educational opportunities to the disadvantaged, the poor, the newly arrived, and those who have suffered discrimination. They symbolize the principles of hope, of progress, and the enduring partnership between one generation and the next. We supported their inclusion in the Education Amendments of 1972. We have argued for their expansion during the intervening thirteen years, and our support remains strong today. We regard their long run impact as comparable to that of the Morrill Act of 1862, the G.I. Bill, and the National Defense Education Act. As teachers we are concerned about not only those students already enrolled in our colleges and universities but also those qualified, perhaps talented, individuals who do not have adequate personal or family resources to permit them to begin a college education. Pell Grants are designed to give encouragement to this latter group and to provide an educational opportunity that will enrich both the individual and society.

In 1972 we regarded the Basic Educational Opportunity Grants (later renamed Pell Grants) as an entitlement comparable to both the G.I. Bill and the Guaranteed Student Loans. Our perception that they are an entitlement has been a widely held perception. In a brochure published by the United States Office of Education in 1978 about the five federal student assistance programs, Basic Educational Opportunity Grants were described in the following manner:

> "The Basic Grant Program is different from the other programs described in this booklet. Basic Grants is an entitlement program. This 'entitlement' feature represents the major difference between the Basic Grant Program and other USOE financial aid programs. It means that all students who are eligible will receive Basic Grant awards.

And as recently as June 10, 1985, Senator Slade Gorton (R-Washington), in introducing S. 1269, a bill related to Pell Grants and College Work Study, characterized Pell Grants as "an entitlement program." (Congressional Record, June 10, 1985, S7859)

We recognize that under the current law Pell Grants are a limited entitlement, subject to annual budgetary limitation on funds, the restriction imposed by a family contribution schedule, and the limitation on the size of an award calculated as a percentage of the cost of attendance. We understand some of the rationale that underlies these limitations. But we believe that in order to discourage the enormous debts that will be required of low-income students over the next several years and to encourage a major step forward in implementing equal educational opportunity it is necessary now to make Pell Grants a true legal entitlement for all students whose personal or family income is less than an amount determined by Congress. We have not calculated the cost of Pell Grants under our proposal. Whatever increase in funding this would require should be partially offset by the elimination of Supplemental Grants and the lower costs to the federal government as a result of ~~smaller~~ reduced demand for Guaranteed Student Loans. What a new, larger, consolidated Pell Grant offers is the potential of increasing access for more students and providing a wider choice of institutions. What it tells all of us is that this nation is committed to a larger investment in human capital.

Two aspects of the current situation in higher education require closer scrutiny. One involves the nature of current enrollments and how well they reflect the policy of equal educational opportunity. The second involves federal support of higher education as part of a national policy of investment in human capital. We will not belabor either point but rather express both optimism and anxiety about each.

We are optimistic about enrollments despite repeated predictions throughout the 1970s of impending disasters as the 18-24 age cohort declines. Enrollments have remained steady in recent years despite reductions in federal student aid programs and a sharp decline in the national economy in the early 1980s. The recent study by the National Institute of Education, entitled Involvement in Learning, points out that three out of five high school graduates now enroll in college, more than half of all undergraduates are women, one out of every six is a member of a minority group, two out of every five are over the age of 25, and fewer than three in five are attending college full time. Enrollments have remained steady largely because of increases in older students, part-time students, and foreign students. The surge of minority students came in the 1970s and now represents a larger percentage of total enrollments. But it does not appear to be growing. And the percentage of college-bound Black students appears to be declining.

We are concerned about the one out of eight highly able high school seniors who chooses not to attend college and the fact that only 50% of the students who start college with the intent of obtaining a bachelor's degree fulfill their goal. We have made substantial progress since 1972 towards the goal of equal educational opportunity, but progress appears to be stalled and perhaps even slipping slightly backwards. That is why we believe that the new, larger, consolidated Pell Grant may serve as the instrument for moving our society forward again towards the goal of equal educational opportunity. None of the obstacles will be overcome easily, but the challenges of providing educational opportunities to a new generation of young Americans must be met.

The second aspect of the current situation involves federal support of higher education as a part of a national policy of investment in human capital. In a recent report to the Seventy-first Annual Meeting of the American Association of University Professors, our Committee on Government Relations recognized the large, dynamic, and fragile nature of the academic enterprise in the United States. Higher education, we noted, is a major industry with $70 billion of outlays, an amount comparable to the automobile industry or communications industry. It is a dynamic industry which plays a significant role in personal and family decisions and finances, in the determination of career opportunities, in the creation of new industries, and the development of a skilled work force. Indeed, we said, "Higher education reflects a recurring national investment in human capital and it remains one of our best bellwethers of the nation's commitment to social and intellectual progress." But higher education is also a fragile industry subject to the swings of the economic pendulum, the annual federal appropriations cycle, and a series of both public and private factors ranging from tax policies to the national perception of quality in higher education. Within this major industry, the federal role remains as significant today as it was in earlier years. Not only do federal funds influence student enrollments, but also they influence basic research programs underway at colleges and universities. From the days of the Land Ordinance of 1785 to the present, the historic partnership between government and higher education has encouraged generous public and private funding of higher education and has contributed to the growth and success of American higher education. The symbol of the growth and success lies beyond the buildings on our campuses. It exists in the graduates of higher education institutions who have contributed to the enrichment of American society.

In recent years there has been a weakening of that partnership. We appreciate the longstanding support of the members of this Subcommittee in understanding how important that partnership is to the development of a national resource of human capital. It is one of the critical resources of our nation and its primary source is the 3,300 colleges and universities. We believe that strengthening access to higher education and encouraging a wider choice of institutional offerings through Pell Grants will permit us to continue to contribute to the reservoir of human capital.

Thank you for the opportunity to appear before you today, and I welcome your questions and comments.

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April 29, 1985

The Honorable William D. Ford
Chairman, House Education and Labor
  Subcommittee on Postsecondary Education
United States House of Representatives
Washington, D.C. 20515

The Honorable E. Thomas Coleman
House Education and Labor Subcommittee
  on Postsecondary Education
United States House of Representative
Washington, D.C. 20515

Dear Representatives Ford and Coleman:

Pursuant to your letter of December 28, 1984, we wish to present our recommendations concerning the reauthorization of the Higher Education Act of 1965, which is scheduled to expire during the 99th Congress. We appreciate your kind invitation to present our recommendations, and we shall welcome the opportunity to participate in the Subcommittee's hearings.

As our Task Force on Reauthorization of the Higher Education Act and our Committee on Government Relations reviewed the prospects of the next five years, we concluded that there are at least four overriding concerns that require attention during the current discussion of reauthorization.

First, we believe it is necessary to address a series of faculty-related issues. American higher education is confronted with a serious shortage of faculty within the next decade. A declining percentage of current graduate students in a broad range of disciplines is committed to pursuing a career in college teaching. Steady-state enrollments over the past several years have adversely affected graduate students seeking positions in college teaching and discouraged others from considering a teaching career. For current faculty, we note that various titles of the Higher Education Act refer to faculty development programs. However, few are funded and almost none is directed towards assisting new faculty or encouraging mid-career renewal of current faculty. We have recommended a program of incentives for graduate students, new faculty, and current faculty under a new Part G of Title IX.

Second, as faculty concerned about the growing indebtedness of students, we believe it is necessary to redress the balance between loans and grants in the federal student assistance programs. Students have taken on an enormous burden of debt, estimated at well over $50 billion, as Pell Grants and Supplemental Educational Opportunity Grants have failed to increase in accordance with the schedule enacted in 1980. While students will continue to require loans, we believe the two grant programs should be consolidated and Pell Grants should become an entitlement comparable to Guaranteed Student Loans. A stronger and consolidated Pell Grant would reflect a commitment to invest in higher education as a significant national priority and would further encourage equal educational opportunity. We have made our recommendation under Title IV.

Third, we believe it is necessary to focus on the financial health of higher education institutions. Within recent years they have been confronted with extraordinary long term financial problems that affect the long term quality of their academic programs. They have neither the reservoir of resources to meet the immediate and continuing demands upon them nor sufficient resources to plan for the decade ahead. They require new and renovated facilities and the products of the new technologies. They need to maintain tuitions at an equitable level and to expand their teaching resources. To provide such resources, we recommend expansion of a well established principle and program - endowment grants - among the federal programs of support for higher education. Endowments based on federal land grants for colleges were first utilized in the 1780s, and they have been part of federal programs for higher education throughout our entire national history. We believe that endowment grants to a broader spectrum of institutions, although not to those whose endowments are already well established, would serve to assist the specific types of institutions provided for in the revised Title III but also those institutions which educate the majority of students in America. Our recommendation for the latter institutions appears in a revised Title XI.

Fourth, we believe it is necessary to focus on those programs which will play a major role in improving the quality of higher education over the next several years. We refer specifically to libraries (Title II), which are undergoing a massive transformation as a result of new technologies. We refer to teacher training programs (Title V), which will require substantial assistance because of impending increased enrollments in order to meet the current and projected shortage of teachers in the elementary and secondary schools. We refer to international and foreign language studies (Title VI), which reflect both critical national interests and the intense drive for international exchange and study. At the one end, TRIO programs (Title IV) provide the potential means to a quality education for disadvantaged students, while at the other end the Fund for the Improvement of Postsecondary Education (Title X) encourages the study and creation of programs designed to strengthen the quality of education for all students. Our goal must be excellence in higher education, and one of the primary means of support in moving towards that goal is the historic partnership, now made stronger, between education and government.

We shall appreciate the opportunity to discuss these and other related issues at the hearings sponsored by the Subcommittee.

Sincerely,

Alfred D. Sumberg

Alfred D. Sumberg
Associate General Secretary

Enclosures

Senator DODD. Thank you very much, Mort, for those observations. Over the next several weeks, we are going to be thrashing this out down there. It is very important that we have these observations.

I am encouraged by some of this testimony, however. I was delighted to hear Dr. King tell us that Connecticut has done a better job than any of the other New England States in keeping costs down. That is really commendable.

Thank you for your testimony.

STATEMENT OF WILL BONDS, CHAIRPERSON, BOARD OF DIRECTORS, CONNTACT, EOC PROGRAM

Mr. BONDS. My name is Will Bonds. I am chairperson of the Board for Conntact. Conntact has an EOC Program which is an Education Opportunity Summer Program. We have five field offices at community colleges in Hartford, Waterbury, New Haven, Bridgeport, and Norwalk.

As you are aware, we provide counseling services to low-income adults in terms of trying to assist them in entering colleges and universities in Connecticut, as well as in the country.

I would like to just hit on a couple of points: One is the accommodation to equal educational opportunity, the impact that that has on students.

As you know, since the 1960's, there has been a large number of groups that have come under the rubric of equal educational opportunity.

They can be lumped under nontraditional students; that includes older students, part-time students, handicapped students, single parent students, just to name a few.

At the same time, these groups have emerged in terms of requiring more financial assistance from higher education institutions.

Costs at institutions of higher education have been rising, as you well know and heard earlier this morning. My concern is that, with the emergence of all these groups, that the concerns of the minority students, low-income students, get lost among all these groups.

A article entitled "Equal Opportunity in Higher Education" pointed out the fact that, over the last 2 years, financial assistance to minority students has been going down.

And I think one of the reasons for that is because of the demands of the various groups that have claims on equal educational opportunity for financial assistance.

Senator DODD. Excuse me. Isn't part of it the awesome sight of a staggering bill that is going to be hanging around after you get through?

Mr. BONDS. That may be true to a point. You find that, statistically, the largest number of minority students attend 2-year colleges for their education and here is where we are going to be seeing the biggest decline in enrollment because financial aid is spread out over these other newly emerging nontraditional groups.

My concern, in terms of choice, is to give minority and low-income students the full range of choice, not just to provide them accessibility to community colleges, although 2-year colleges are fine.

But I do not believe that the majority of minority students only have talents limited to 2-year colleges. They have talents, as well, that can qualify them for admissions into 4-year colleges and universities.

Those are the only points that I would like to make this afternoon.

Senator Dodd. Thank you very much.

STATEMENT OF LOU CAMPBELL, NEW ENGLAND ASSOCIATION OF EDUCATIONAL OPPORTUNITY PROGRAM PERSONNEL

Mr. Campbell. Senator, the National Educational Opportunity Association, I am sure, has submitted official written testimony for the committee's consideration. So, I will not take up your time going through those various issues that are addressed in that testimony.

I am president of the New England Association of Educational Opportunity's Program, specifically four programs: Upward Bound, College Talent Search, Special Services, and EOC [Educational Opportunity Centers].

And I think that one of the primary concerns that was raised through the testimony and provided by the national council is the debt burden that low-income, first generation college students are having to bear in order to attend postsecondary educational programs.

And one of the specific recommendations, not getting into the details, is a different mix of grant versus loan moneys in terms of especially for the truly needy college students.

I think, certainly, the fact that colleges are experiencing a decline in enrollment of minorities and have been experiencing this for the last, I would say, 5 to 8 years, should be an alarming signal that, unless there is something seriously done, that minorities might be permanently locked out of upward mobility opportunities in the American society.

And the only vehicle for low-income individuals to have a chance of gaining economic, social, and professional opportunity is through the educational system.

And I think that we are starting to feel now that a higher percentage will lose the battle. And, of course, I believe that the expense of not providing adequate financial assistance for educational opportunity is one where the public will always have a tremendous larger cost in terms of incarcerations, in terms of public welfare, in terms of a lot of other social factors which, I think, are directly linked to educational opportunities.

So, I just wanted to share those comments with you. I did provide some specific testimony to Senator Weicker's committee in Washington in April which I will also forward to your staff.

Senator Dodd. I think we got that. We are all part of the same committee, and that was received when the Student Loan Program came up.

Mr. Campbell. But I wanted to just bring that up in terms of your public hearing today.

Senator DODD. Thank you. Connecticut is well represented in education, as well as Massachusetts. Both Senators from both States are really into education.

STATEMENT OF BOB GRANATO, STATE TECHNICAL COLLEGES, STATE OF CONNECTICUT

Mr. GRANATO. Technical school costs are not unlike other educational institutions, public and private; our costs are going up.

The State legislature has issued a law that automatically has called for tuitions to go up, and we are talking in the range of 6 to 8 percent per year, regardless of what inflation is. It is moving automatically because that is what the economy is doing.

In coming up here today, I was not too sure of what our objective was; I wear a number of hats, being a counselor at a college, also being a financial aid officer, also being the chief negotiator for the union.

After listening to the presentations, I decided faculty would be the best hat to wear in terms of a profession. I could say that, being an oldtimer now, probably one of the oldest in financial aid in the State—I have been at this game for 16 years.

I started giving workshops in Connecticut years ago and 12 people showed up at the first one at Montville High School when there were lots of cars in the lot belonging to people taking classes to try to improve themselves. Today, regardless of where I go, I do not talk to less than 100 people. They are there to talk about financial aid.

That is the growth that has taken place over the years in terms of interest on the part of faculties on this whole issue.

At Fitch High School last year, I had a unique experience. It was the first time I had a show of hands of parents who had kids in private higher education facilities and no one raised their hand.

Everyone who was in the room, over 100 parents, their kids were in the public sector. And when I ask about distances, I found that most of them were close by.

So, in terms of access, in terms of types of programs, the rising costs are limiting and they limit free choice of these students.

There are many areas that, as you sit here listening to your experts this morning, college presidents and whatever, they do not get involved; they receive a piece of paper and they give a report. They are not out there on the front lines.

They are not talking to the parents and they are definitely not involved in the classroom situation and listening to these students who are having problems, financial and otherwise.

Let me just give you a few scenarios. No. 1, technical engineering and scientific education in the United States, not only in Connecticut, is in serious trouble. Like we used to import shoes from foreign countries, now we are importing educators from foreign countries.

Why? Financially, we cannot compete with the salaries that are offered in engineering out in the private sector. In terms of choice, again, if we take a look at the recruitment of engineering, technical, scientific faculty, it is extremely difficult.

We have three or four openings that we cannot fill this year; they are still there. Where are you going to hire an engineer with

3 years of industrial experience who must go out and get advanced degrees at $20,000 a year when industry starts them fresh out of UCONN at $25,000 to $30,000?

With all due respect to the brothers at the end of the table, what black engineer is going to go into teaching in an engineering school when I could place him for $35,000 to $40,000 in the private sector. The situation just does not exist.

The rising cost of education, therefore, has caused them—and this includes all arenas of education—to look for less expensive teaching faculty. And, of course, this is coming from abroad.

Two of my own kids are in higher education; one of them had a fellow from Korea teaching them. Three Hispanics got up and left the class; they said it was tough enough trying to understand English, let alone getting through another language.

We are also seeing a greater influx of graduate students teaching and the more experienced and knowledgeable individuals sitting back and doing their research, doing their books and teaching graduate students rather than juniors and seniors. So, this becomes a problem.

And it becomes a question as to what are the kids really paying for which is a serious issue.

There are less than 4 percent engineers who are black in the Nation. About 4 percent of the engineers in the Nation are female.

And, yet, these are the opportunities that exist out there where, economically, they could participate; yet, we are seeing further and further cutbacks, constant cutbacks in terms of funding.

I think the time has come—because I am an oldtimer, and I can go back and I can remember dormatories springing up using HUD money. I can remember all the expansion of colleges and universities at a very rapid rate during the fifties and the sixties. But there has been no retrenchment. There has been no looking at higher education to say, "Hey, some of you people have got to close."

These are the hard facts of life we are talking about. If the hard facts of life are that there is no more financial aid available from the Feds, then there are going to be that many colleges out there competing for all these students, and there does not have to be the expansion of all of these programs into questionable 6-month programs which the Pell grant and the Student Loan happen to be total what it costs to go there. And they look for, in larger cities, at minority students, female students, bringing them in and giving them this kind of an opportunity.

They are in the mood now for the nontraditional students, the older students, the single mother or even father; they bring a couple of kids up, and now they want to go back to college. They are running up debts that you are not going to believe.

Even if they graduate, now their kids come in the future to be educated. Where the hell are the resources for those kids? There is no thought being given whatsoever to that $50 billion debt in these fields.

Senator Dodd. Thank you, Bob, very much for that. We appreciate it immensely.

I thank everybody for coming this morning. You waited for the last 4 hours to get a chance to share some views and thoughts. I would like to thank each and every one of you, as well as the stenographer.

This will become a permanent part of hearing our committee's record. As I mentioned at the outset, there will be more hearings going on for a number of weeks on the subject of the Reauthorization of the Higher Education Act of 1965. Your remarks will be made part of the record as we move on this.

I am really sorry that we have not had more hearings on the cost question because everything else we talk about relates to it, whether it be campus-based day care facilities or an expansion of higher education programs.

It all comes back to this question, obviously. We have got to do a more effective job.

[Additional material supplied for the record follows:]

YALE UNIVERSITY
NEW HAVEN CONNECTICUT

OFFICE OF THE PRESIDENT

STATEMENT BY A. BARTLETT GIAMATTI

November 21, 1985

I am A. Bartlett Giamatti, President of Yale University. This written statement is being submitted to the Senate Labor, Health & Human Services and Education Committee on behalf of Yale University to supplement testimony heard by the Committee in Hartford, Connecticut on October 10, 1985. I am grateful to Senator Dodd for creating this forum so that institutions of higher education in the State, as well as students and their families, may raise concerns over the rising costs of education. Although Yale was not a participant in the hearing, I am submitting this testimony to tell how this independent national research university has faced this difficult issue and to dispel some of the common public misperceptions by describing the complex economic realities which govern educational costs and tuitions.

Yale University is a private non-profit university, founded in 1701 as a tuition-free institution. Within twenty-five years of its founding, tuition (at a rate of thirty shillings per year) was charged of each student. Over most of Yale's history, tuition, room and board charges have increased sporadically, with interim periods of tuition stability, followed by moderate increases. During the past fifteen years, however, this pattern changed as tuition increases were more frequent and steeper, largely due to the unprecedented level of inflation which was simultaneously crippling the nation's economy. While the nominal rates of growth in tuition, room and board over the past 15 years appear dramatic, when expressed in constant dollars, the real rates of increase in fact are much smaller. From 1968 to 1983, the average total cost of educating a Yale College undergraduate increased three times in nominal dollars, but only 4% when measured in real dollars. When these costs are compared with corresponding increases in a family's earnings over the past twenty years, tuition charges did in fact consume a constant relative proportion of the average family's income. Yet clearly, students presently attending Yale and their families have to pay more for a Yale education than did Yale students of the past.

These increases are the result of two independent, but reinforcing economic realities: the increase in costs incurred by the University in providing an education, and the accompanying sharp decrease in the finite revenue sources for higher education, which has forced the University to rely more heavily on tuition than at any other point in its history. It is essential, however, to distinguish between the total costs of providing an education to a student and the portion of those charges for which a student is responsible (tuition, room and board); known at Yale as the "term bill." At virtually every institution of higher education in this country, the cost of educating a student is substantially higher than are the total charges collected from a student. The average cost to Yale of educating an undergraduate student is roughly twice the "price." In 1983, for example, Yale's term bill covered only 53% of the cost. The remaining portion was met through income from the endowment (23%), private gifts (8%) and miscellaneous support, including federal funds (16%). Furthermore, since 1962, all undergraduate students have been admitted under Yale's "needs blind admission policy," under which the University considers all applicants solely on the basis of merit, without reference to ability to pay; upon admission, students demonstrating financial need receive University grants, loans and jobs to enable them to pay the term bill. As a result, many students do not pay the published maximum tuition charge; over the past five years, over 39% of Yale's undergraduates paid less than the full term bill, receiving need-based financial aid to make up the difference.

Increased Costs of Providing An Education

In addition to grappling with general inflation over the past fifteen years, the University has faced cost increases which have caused several of its major budget categories to rise well in excess of the overall rate of inflation. Some of these increases occurred as a result of the relatively large quantities of particular goods consumed in the course of university operations. For example, any university, and in particular a research center such a Yale, consumes an enormous amount of energy. Between 1968 and 1983, energy expenditures at Yale increased by 15% per year (compounded annual growth in nominal dollars), for a total fifteen-year increase of almost $20 million; this occurred despite the fact that the University took aggressive steps to invest in energy conservation measures.

One of the most distinctive features of the economics of a university is its labor intense nature and the relative proportion of its expenditures for people. The costs of employing faculty, administration and support staff also have increased. In addition to struggling to meet salary expectations during a time of high inflation, the University has faced accompanying rises in the costs of employment taxes, pension plans, and fringe benefits for Yale's 7,800 employees.

As a major research center, Yale has had to absorb price increases for research equipment and specialized facilities far in excess of parallel costs in the consumer and business sectors. For example, the cost of replacing equipment used in research increased by 150% between 1975 and 1985. Yale is also a repository for approximately 8.8 million volumes in its regular and specialized libraries, which are an integral feature of its role as a center for scholarly research. The costs of purchasing, preserving and maintaining these materials have risen far in excess of parallel consumer purchases. Similarly, efforts to maintain and upgrade aging buildings have caused the University to make major commitments of its resources for facility renewal to preserve the usability of its educational plant.

Increased Burden on Tuition

At the same time as the costs of providing an undergraduate and graduate educational experience to students are increasing, key income sources for universities and colleges have been diminishing. Because of this decreased support, pressure upon the term bill -- the only discretionary revenue source -- has necessarily increased. In 1968, for example, the term bill supported 36% of the costs of an undergraduate education at Yale; by 1983, as I noted earlier, the term bill accounted for 53% of this support.

Private universities such as Yale rely upon private donations, investment income from endowments, public support and tuition as their sources of revenue. During the past fifteen years, private giving has fallen slightly in real dollars. While endowment investment returns have rebounded recently, the ten-year period ending in 1980 recorded dismal investment returns.

One of the most significant reductions has occurred in the real value of federal support for higher education. The National Association of Independent Colleges and Universities (NAICU) reports that the purchasing power of federal student assistance fell by 23% between 1981 and 1984 alone, despite actual dollar increases in programs. Funds which have supported the universities' libraries, grants and contracts for research, and Congressional support for federal programs for the construction and renovation of academic facilities have all been reduced in real terms.

Furthermore, if Congress follows the Administration's lead on tax reform, the University's income base will be further eroded. Economists predict a 25% decline in giving to higher education if the President's proposed changes in the tax laws governing charitable giving are adopted. Additional losses will occur if the tax laws encouraging donations of research and development equipment are not extended and if authority to issue tax-exempt bonds to finance the construction of education facilities and fund student loans is eliminated. Proposed changes in tax laws governing nonprofit organizations' pension plans, other employee fringe benefits, and scholarships and fellowships will impose substantial direct costs to the University. Simultaneously, the severity of the federal deficit has prompted the most concentrated efforts in recent history to reduce direct federal support for higher education. The Administration recommended a Budget for FY'86 which would have reduced support for higher education by almost 30%; although the Congress has until now refused cuts of this magnitude, spending freezes continue to erode the purchasing power of this important form of support.

Funds have been raised and borrowed to build, renovate and restore important key university facilities, to bolster academic research equipment and to invest further so as to maintain the quality of education and research which has characterized Yale throughout its 284-year history. To make up the losses in public support incurred already, independent colleges and universities have increased their own institutional support for student aid alone by well over one hundred percent as measured in constant dollars over the past four years. Last year, Yale University devoted $26.2 million of its own funds to provide direct grant support to 5,220 students, and Yale College grants to students exceeded federal grants by a ratio of seven to one. These grants are awarded on the basis of financial need, a parallel policy to the University's "needs-blind" admission policy, which I have described.

Without a doubt, rising costs and diminishing resources for higher education pose substantial questions for families and universities; they also pose serious questions to this Congress and our nation. The history of the federal government's direct support for higher education has demonstrated the intrinsic value of such policies, both for its effect on the quality of education and its ability to embue our young people with hope. Yale University shares these goals and priorities and has been a willing and active partner with the federal government in providing funds as well as a supportive environment for this effort. I am fully aware that we, as a nation, are faced with tremendous fiscal pressures which threaten these precious national policies. I urge the Congress, and particularly this Committee, to lend its leadership to ensuring that our nation continues to uphold support for higher education as one of the most important investments we as a nation can make in our own future.

Senator **Dodd**. So, I thank you all again, and this hearing is adjourned.

[Whereupon, at 1:05 p. m., Friday, October 11, 1985, the subcommittee was adjourned, subject to the call of the Chair.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

MONDAY, OCTOBER 28, 1985

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Miami Beach, FL.

The committee met, pursuant to notice, at 8 a.m., in the West Ballroom of the Fontainebleau Hilton Hotel, 4441 Collins Avenue, Miami Beach, FL 33140, Senator Paula Hawkins presiding.

Present: Senator Hawkins.

OPENING STATEMENT OF SENATOR HAWKINS

Senator HAWKINS. Good morning. On behalf of Senator Stafford, chairman of the Subcommittee on Education, Arts and Humanities, I would like to welcome you to today's hearing on the reauthorization of the Higher Education Act.

Quite simply, what we are discussing here today is the future of college financial aid.

With the passage in 1965 of the Higher Education Act, Congress made a commitment. It said:

Any American who seeks to better himself to rise above the expectations of his parent's generation, any American who is willing to work hard to get ahead, and any American who tries to gain knowledge should not be denied a quality education for nay reason, including his or her family's financial status.

Any American who seeks a college education ought to be able to have one. I believe that commitment continues.

Since the beginning of this year, the subcommittee has held extensive hearings on the reauthorization of this act. Those hearings, the testimony, and comments we will gather today will become part of the permanent Senate record and will be used as vital reference material in the drafting of the 5-year reauthorization of the Higher Education Act.

The testimony from today's panelists is essential if the Congress is to report out a bill that demonstrates an understanding of the interests of higher education.

I extend an especially warm welcome to the members of the American Council on Education. These members are the individuals who provide leadership for higher education nationwide, and many of their members will testify today.

For the sake of public information, I would like to briefly explain the Higher Education Act. The act consists of 12 titles which consist of rearly $9 billion in funding. That is close to 1 percent of the entire Federal budget.

About 90 percent of all the funds authorized by this act are allocated for student assistance programs through title IV of this act. Anyone who has applied for college and every parent with a child in a college knows the Title IV Programs: The NDSL, which is the National Direct Students Loans Program; the GSL, which is the Guaranteed Student Loans Program; the Pell Grants and the Work Study Programs; and the rest of them.

Title IV is the gateway to advancement for thousands of young Americans and we must ensure that it remains strong. We have all heard the scare talk about how the administration is attempting to substantially reduce financial aid to college students.

There is no sentiment for cutting this program in Congress and this is one Senator who will work to put the brakes on any such proposals. In my opinion, there is nothing more important to America and nothing more fundamental toward realizing the American dream than the assurance of a quality education for our children.

Time tends to sharpen the efficiency and effectiveness of any program. Certainly, the Higher Education Act is no exception.

I strongly favor efforts which would accelerate the rate of collection of defaulted loans. I also intend to support efforts that ensure that grant money is used by students with genuine needs.

Additionally, I support specialized programs which educate students in study area that warrant immediate attention. For this reason, I have introduced legislation authorizing $5 million in grants over 4 years for graduate level programs that provide clinical experience for the prevention of child abuse and exploitation.

I intend to offer this measure as an amendment to the Higher Education Act during the committee markup early next year.

We must answer many questions today in a very limited amount of time. Questions involving eligibility requirements and Federal costs under title IV programs, questions concerning direct aid to colleges and questions about the continuation of higher education programs which are not currently funded.

The Higher Education Act represents the single most comprehensive legislation authority affecting American postsecondary education in scope and the largest in terms of annual funding. As our country faces ever-looming deficits, Congress must be assured that every Federal dollar is being stretched to capacity.

We are privileged to have with us today a group of witnesses who are well qualified to defend higher education. Four of the members of the panel serve as presidents of prominent colleges and universities in our State of Florida.

The subcommittee will receive testimony today from Dr. Robert H. McCabe, president of Miami-Dade Community College; from Dr. Frederick S. Humphries, president of the Florida Agricultural and Mechanical University; from Dr. Edward T. Foote II, president of the University of Miami; and from Dr. Pope A. Duncan, president of the Stetson University.

Additionally, the subcommittee will receive testimony from Dr. Robert Atwell, president of the American Council of Education, and from Mr. Russ Milliken who is seated at the witness table and who is a student at the St. Thomas University.

They will be our witnesses today. I look forward to hearing your testimony.

[Senator Hawkins' news release and additional material supplied for the record follow:]

NEWS FROM

PAULA HAWKINS

UNITED STATES SENATOR FOR FLORIDA

FOR RELEASE: October 28, 1985

CONTACT: Richard Paul
(202) 224-5630

HAWKINS CHAIRS HEARING ON FINANCIAL AID TO COLLEGE STUDENTS

Miami, FL....Recognizing the need to see that Federal education dollars are stretched to capacity, Senator Paula Hawkins today chaired a hearing into reauthorization of the Bill which funds a majority of the nation's Federal college financial aid programs.

In one of a series of hearings by the Senate Subcommittee on Education examining the Higher Education Act, Senator Hawkins heard testimony from the Presidents of Florida A&M University, the University of Miami, Stetson University, and Miami-Dade Community College. Also testifying were Russ Milliken, a Student who receives financial aid and Robert Atwell, President of the American Council on Education, which is holding its annual convention in Miami.

"The testimony from today's panelists is essential if Congress is to report out a bill that demonstrates understanding of the interests of higher education," Senator Hawkins said.

The Higher Education Act, first drafted in 1965, consists of twelve "Titles" totaling $9,434,156,000 in funding; close to one percent of the entire Federal budget. Ninety percent of that money is allocated to financial aid programs under Title IV of the Act.

"Anyone who has applied for college and every parent with a child in college knows the Title IV programs," Senator Hawkins said. She called Title IV, which includes Pell Grants, Guaranteed Student Loans, National Direct Student Loans, Work Study and other programs "the gateway to advancement for thousands of young Americans."

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THE SENATE EDUCATION SUBCOMMITTEE AND THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION ARE EXAMINING THE HIGHER EDUCATION ACT WITH AN EYE TOWARD FUTURE ACTION. THE HOUSE IS EXPECTED TO CONSIDER A REAUTHORIZATION BILL BY THE END OF THIS YEAR. THE SENATE EXPECTS TO CONTINUE STUDYING THE ISSUE UNTIL EARLY NEXT YEAR.

"WITH THE PASSAGE IN 1965 OF THE HIGHER EDUCATION ACT." HAWKINS SAID, "CONGRESS MADE A DECLARATION. IT SAID THAT ANY AMERICAN WHO SEEKS TO BETTER HIMSELF, TO RISE ABOVE THE EXPECTATION OF HIS PARENT'S GENERATION AND WHO IS WILLING TO WORK HARD TO GET AHEAD SHOULD NOT BE HELD BACK BY ANY BARRIER, ESPECIALLY NOT BY FAMILY FINANCES."

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FY 1985 APPROPRIATIONS FOR ALL PROGRAMS AUTHORIZED UNDER TITLES OF THE HIGHER EDUCATION ACT
(Provided under P.L. 98-619 and P.L. 99-88)

		FY 1985 Budget Authority (Appropriations)
Title I	Continuing Postsecondary Education Program	$0
Part A	Commission on National Development in Postsecondary Education	($0)
Part B	Education Outreach programs	($0)
Title II	College and Research Library Assistance	$7,000,000
Part A	College Library Resources	($0)
Part B	Library training, Research and Development	($1,000,000)
Part C	Strengthening Research Library Resources	($6,000,000)
Part D	National Periodical System	($0)
Title III	Institutional Aid	$141,208,000
Part A	Strengthening Institutions	($65,804,000)
Part B	Aid to Institutions with Special Needs	($53,804,000)
Part C	Challenge grants	($21,600,000)

		FY 1985 Budget Authority (Appropriations)
Title IV	Student Assistance	$9,145,763,000
Part A	Basic Educational Opportunity Grants	($3,862,000,000)
Part A	Subpart 2 Supplemental Educational Opportunity Grants	($412,500,000)
Part A	Subpart 3 State Student Incentive Grants	($76,000,000)
Part A	Subpart 4 Special Programs for Students from Disadvantaged backgrounds	($174,940,000)
Part A	Subpart 5 Migrant Students Programs (High School Equivalency Program [HEP] and College Assistance Migrant Program [CAMP])	($7,500,000)
Part A	Subpart 6 Federal Merit Scholarships	($0)
Part A	Subpart 7 Veteran's Cost of Instruction Program	($3,000,000)
Part B	Guaranteed Student Loans	($3,799,823,000)
Part C	Work-Study programs	($592,500,000)
Part E	National Direct Student Loans	($217,500,000)
Part F	National Commission on Student Financial Assistance	($0)
Title V	Teacher Corps and Teacher Training Programs	$0
Part A	Teacher Corps	a/
Part B	Teacher Training programs	b/
Part C	Teachers of the Handicapped	$0
Part E	Carl D. Perkins Scholarships	c/
Part F	National Talented Teacher Fellowship Program	c/
Title VI	International Education	$26,550,000
Part A	International and Foreign Language Studies Programs	($26,550,000)
Part B	Business and International Education program	($0)

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a/ P.L. 97-35 repealed this program authorization effective Oct. 1, 1982

b/ P.L. 97-35 repealed the Techer Center program authorized under Part B effective Oct.1, 1982.

c/ Program not authorized for this fiscal year.

	FY 1985 Budget Authority (Appropriations)
Title VII Construction, Reconstruction and Renovation of Academic Facilities	$60,869,000
Part A Grants for Undergraduate Facilities	($0)
Part B Grants for Graduate Facilities	($28,000,000)
Part C Loans for Academic Facilities	($32,869,000)
Title VIII Cooperative Education	$14,400,000
Sec. 802 Grants for Planning and Programs	d/
Sec. 803 Research and Demonstration	
Title IX Graduate Programs	$19,750,000
Part A Grants to Institutions of Higher Education	($2,500,000)
Part B Fellowships for Graduate and Professional Study	($11,750,000)
Part C National Graduate Fellows Program	($2,500,000)
Part D Assistance for Training in the Legal Profession	($1,500,000)
Part E Law School Clinical Experience	($1,500,000)
Title X Fund for the Improvement of Postsecondary Education	$12,710,000
Title XI Urban Grant University Program	$0
Title XII General Provisions	$0
Sec. 1204 Territorial Student Assistance	$0
Total FY 1985 Appropriations under HEA	$ 9,428,250,000

Susan Boren
Analyst in Education
Education and Public Welfare Division
October 23, 1985

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d/ Appropriations used for both Sec. 802 and Sec. 803.

Senator **Hawkins**. Our first panel will give us a look at the needs of young people seeking higher education opportunities. Russ Milliken is a senior at the St. Thomas University in Miami. He is currently in the midst of his student teaching. I understand that Russ is a twin and that he has greatly benefited from Federal financial assistance.

Russ, I am glad that you were able to skip school this morning and to be with us. I know that you will have a lot to share with your class tomorrow and I will write you a note. We look forward to receiving your testimony so would you please begin?

STATEMENT OF RUSS MILLIKEN, STUDENT, ST. THOMAS UNIVERSITY

Mr. **Milliken**. Thank you and good morning. My name is Russ Milliken and I am a senior at the St. Thomas University majoring in secondary education with a 3.1 point grade average.

I have been asked to speak to you about the importance of financial aid to my education, but before I do this I would like to tell you a little bit about myself.

I come from a large family, a family of seven children. There are three girls and four boys. My mother is a homemaker and my father was a commercial fisherman before he passed away 3 years ago.

I have a twin brother, Randy, who is also a senior at St. Thomas University. My brother and I attended Key West High School in Key West, FL, with hopes of going to college and playing baseball like many other high school athletes.

There was only one problem with this dream: The school that we wanted to attend was out of reach financially for my mother and father. Sending not one but two children to school at the same time was a heavy enough burden, but when my father became ill this meant that the thoughts of going to college were just a dream.

At that point, it became very frustrating to think that college would be something that only the rich people could afford to attend. It was at that time that we received financial aid forms to fill out from several different schools.

There was then hope again that we would be able to go to college. My mother, my father, Randy and I sat down and decided which college would be best for us to attend. St. Thomas University was our first choice.

St. Thomas offered the academic excellence that we wanted and financial aid was available. There was also a small athletic scholarship available for us, the rest of the money my parents saved up, and this paid for that first year of college.

I went on to play 3 years of college baseball and a year of college tennis. I later became president of the Student Government Association.

I am presently doing my student teaching internship at Monsignor Edward Pace High School in Miami to finish my education degree. I am very close to realizing my dream of becoming a teacher and helping our future leaders to develop a solid education foundation.

In conclusion, my brother and I are only two success stories that were made possible by the assistance of financial aid.

What I would like to impress upon this committee this morning is that Randy and I could not have attended college without financial assistance. I believe that this holds true for thousands of other students.

Financial aid gives people a chance and that is all most people are asking for, just a chance.

Thank you very much.

Senator HAWKINS. Thank you, Russ. Let me just ask you a few questions before you leave.

Do you know people who receive financial aid and who really do need it?

Mr. MILLIKEN. I, myself, personally, know of nobody at this point in time that receive financial aid and who does not deserve it and I do not know of anybody who is receiving financial aid and misusing it.

I believe that the system that is set up now is that the people are screened and the people who deserve it are getting it. The people who do not need financial aid, I do not believe, are receiving it right now. That is my opinion.

Senator HAWKINS. How do you plan to pay back the debt that you have incurred after you graduate from college?

Mr. MILLIKEN. Well, right now I have enough confidence in the degree that I am receiving from St. Thomas University and enough confidence in myself that, after I graduate from college, I do not believe that paying off a debt that I owe to the school or that I owe to a bank is going to be a major problem since the degree that I am receiving, I believe, will qualify me for a job.

Senator HAWKINS. Do you feel a commitment to repay it?

Mr. MILLIKEN. I certainly do. I believe that—if you are lucky enough to receive financial aid and if you are lucky enough to receive a student loan—you should have enough confidence or honor to repay that debt since it was something that was lent to you.

If you are willing to pay it back, it can later on be given to other students down the road.

Senator HAWKINS. You are a fine example of the students who qualify for and participate in the programs. We hope that it gives other young people the opportunity to apply for these programs.

Thank you very much, Russ.

Mr. MILLIKEN. Thank you.

Senator HAWKINS. Second, we have a panel that will give us a look at higher education overall: Dr. Robert Atwell, president of the American Council on Education, who has been a valuable resource for the Subcommittee on Education and in all of our deliberations on the Higher Education Act.

I wish you success when the American Council on Education convenes for their convention at 9 this morning in this room. We will record your testimony at this time, please.

STATEMENT OF ROBERT ATWELL, PRESIDENT, AMERICAN COUNCIL ON EDUCATION

Mr. ATWELL. I am Robert Atwell, President of the American Council on Education. Senator, we are very delighted that you are having this hearing here today in connection with our meeting as it gives us a chance to express ourselves on this important issue. I want to express my gratitude for your opening remarks and for your support of higher education.

I have prepared written testimony which I will, with your permission, not read but give to you for inclusion in the record of this year. I will simply summarize my testimony with some very brief remarks if that is acceptable to you, Senator.

Senator HAWKINS. Yes, thank you very much.

Mr. ATWELL. I come to you today representing not only the American council on education, which represents 1,250 colleges and university and 200 educational associations, but I am also bringing testimony on behalf of the American Association of Community and Junior Colleges, the American Association of State Colleges and Universities, the Association of American Universities, the National Association of Independent Colleges and University, and the National Association of State Universities and Land Grant Colleges.

The testimony that you receive is on behalf of all six of those associations.

I want to make some comments almost exclusively on the Pell Grant Program. I think it is very significant that the testimony that we are presenting to you with respect to that program represents a consensus of the higher education community for the first time during this entire reauthorization period.

Our Pell Grant Program proposals simply provide for a $2,400 maximum award and 60 percent of the costs, for parallel increases in living allowances as well, and for the outyears a provision that living expenses and the maximum award be increased in tandem.

The purpose of our proposals is to target the funds on the neediest of the needy students, in the first instance; and to retain middle income participation in these programs to some extent; and to address the imbalance which has developed in recent years between loans and grants.

If one goes back to 1978, loans were about 13 percent of Federal aid and they are now about 50 percent. The grant program has been losing purchasing power both in relation to inflation and in relation to college costs. Our proposals are an attempt to redress the imbalance in regard to the Pell Grant Program.

Our GSL proposals, which are not discussed in the testimony before you, would provide some significant savings in that program and in some of the other title IV programs, as well. Our proposal would eliminate the triggers with respect to the SEOG Program and minimum funding levels for the campus-based programs as a condition for funding Pell specified levels.

Those triggers have not worked very well and, in their place, with the same objective of assuring balanced funding among the Federal programs, we propose that the SEOG appropriation should automatically be tied to Pell grant funding at a level of at least 15 percent of the Pell grant appropriations.

I would be pleased to attempt to answer any of your questions, Senator.

[The prepared statement of Mr. Atwell follows:]

TESTIMONY
TO THE
SUBCOMMITTEE ON EDUCATION, ARTS & HUMANITIES
COMMITTEE ON LABOR & HUMAN RESOURCES
UNITED STATES SENATE

OCTOBER 28, 1985

PRESENTED BY:

ROBERT H. ATWELL, PRESIDENT

AMERICAN COUNCIL ON EDUCATION

ON BEHALF OF:

AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

AMERICAN COUNCIL ON EDUCATION

ASSOCIATION OF AMERICAN UNIVERSITIES

NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Thank you for the opportunity to present the recommendations of the American Council on Education for changes in the Pell Grant program and other Title IV student aid programs.

Our recommendations represent a strong consensus of the major national associations of colleges and universities, representing both the public and independent sectors. We endorse the conclusions of the National Commission on Student Financial Assistance that these programs have generally served the nation well, are not in need of radical revision, and have as their most serious problem their perennial underfunding. At the same time, we believe that the programs should be targetted more effectively on the neediest students, with more realistic awards and living expenses to reverse the serious erosion in the value of aid resulting from inflation and inadequate funding in recent years.

Our principal, shared objective is to correct the imbalance between grants and loans that has imposed a growing burden of debt on students and their families. Between 1978 and the present, loans have grown from 13 percent to almost 50 percent of federal aid. For graduate and professional students, the percentage of federal aid provided as loans has increased from 26% to 73% over the past decade. We have already sent the Subcommittee detailed recommendations to achieve significant cost savings in the Guaranteed Loan Program and free up additional funding for Pell Grants and the other Title IV and Title IX (Graduate Education) programs.

Our suggestions were transmitted to the Subcommittee on September 4, together with proposals for changes in all the titles of the Higher Education Act. Together, these recommendations represent a broad consensus of the community, based on a collaborative effort of all the associations over the past two years.

I ask the Subcommittee to give careful attention to these detailed recommendations, particularly those dealing with such important priorities as graduate education and facilities. For the purposes of this morning's hearing, however, I will limit my remarks to our consensus recommendations for improving the current student assistance programs of Title IV.

Needed Changes in Pell Grants

Our highest priority is to increase the size of grants provided to the neediest students. The Pell Grant program, currently providing foundation support for some 2.9 million recipients, is the primary vehicle for addressing this priority. Unfortunately, constraints on federal spending have severely limited increases in the maximum award; consequently, many low-income students have resorted to borrowing before they have established an academic track record, and in turn have dropped out of school and defaulted on loans. Others simply have not enrolled in postsecondary education because of reluctance to assume debt which they have doubts about their ability to repay.

We therefore recommend an increase in the Pell Grant maximum award from $2,100 to $2,400, together with an increase in the living allowance from $1,500 to $1,800 for those living with their parents, and $2,400 for all other students whether living on- or off-campus. We recommend further that these elements rise together in $200 increments in the out-years, so that an increase in the maximum to $2,600 would be accompanied by increases in the living allowance to $2,000 for students living with their parents and $2,600 for all others. At the same time, we recommend that the percentage-of-cost limitation remain at 60 percent for the duration of the reauthorization. We regard these three elements as essential to maintain the balance of the program for all eligible students.

We estimate that these changes, if implemented at the proposed $2,400 maximum, would provide awards to 2.96 million recipients -- some 130,000 over the number currently served -- and cost approximately $4.3 billion assuming current tax rates on discretionary income. The principal effect of these changes would be to target increased funds to the neediest students.

The recommendations outlined above are in addition to our consensus recommendations of September 4. Following are the highlights of our earlier recommendations, designed to further target federal student assistance, and to make a number of desirable program improvements:

*Institutions should be authorized to recalculate a student's Pell Grant Eligibility Index when there is a change in family circumstances or an error is discovered in the application data that would affect the student's award eligibility. Under such circumstances the institution currently cannot correct Student Aid Reports, but must refer all changes back to the central processor for recalculation, even if the error is a simple change of address. We propose that the institution should have the option to recalculate the award and make payment to the student on its own, subject to periodic review or audit by the Department of Education.

*We recommend repeal of the "triggers" establishing minimum funding levels for the campus-based programs (Supplemental Educational Opportunity Grants, College Work-Study, National Direct Student Loans) as a condition for funding Pell Grants at specified levels. The triggers were originally designed for the important objective of assuring balance among the programs, but they have not been successful: they are regularly waived by the Appropriations Committees. Recognizing the futility of the trigger mechanism, we would replace it with another alternative discussed below, which would make SEOG funding an automatic percentage of Pell appropriations.

Supplemental Grants

Next to Pell Grants, the Supplemental Educational Opportunity Grant (SEOG) program is the most important, providing essential support for some 727,000 needy students attending higher-priced public and independent institutions. To maintain an equitable balance of assistance for students in all sectors of higher education, we believe that funding of the two programs should have a more systematic relationship. Therefore we recommend:

*The SEOG appropriation should be tied to Pell Grant funding at a level of at least 15 percent of the appropriation. The availability of SEOG funding is essential to help make it possible for needier students to have an opportunity to attend higher-priced public and independent institutions. Sudden restriction of such opportunities would be avoided if SEOG appropriations were automatically tied to Pell funding. We recommend that this relationship be established at approximately the current ratio of funding for the two programs. By recognizing that SEOG funding is inseparable from Pell funding, it becomes unnecessary to maintain the current trigger levels which are objectionable to the Appropriations Committees. Instead of raising a policy issue for those committees, the recommendation would simplify their work by consolidating the line items for Pell and Supplemental Grants.

*The SEOG program should be targetted on students with exceptional financial need. An exceptional need requirement was formerly a part of the law, but was deleted in 1980. It should be reinstated to assure that funds are concentrated on students who would be unable to attend the institution without substantial grant assistance in addition to Pell Grants. Without this requirement, institutions in recent years have tended increasingly to award SEOGs in small amounts to middle-income students.

*For SEOG and the other campus-based programs (CWS, NDSL) we propose that the state allotment formulas be deleted. These formulas are now unnecessary, because existing hold-harmless provisions protect state and institutional funding levels. The formulas (which differ for each of the campus-based programs, and which do not adequately reflect need as distinct from enrollment) simply add unnecessary bookkeeping to the process of distributing campus-based funds. At the same time, we propose that the base year for the institutional hold-harmless be updated from the current base of Academic Year 1979-80 to the 1985-86 Academic Year. This should be done to reflect current funding levels, and to provide funds for new schools which have become eligible since the 1980 Amendments, but do not have a 1979-80 conditional guarantee. We support the distribution of new funds based on each institution's national relative eligibility, with an institutional hold-harmless at the FY 85 level to prevent radical shifts of funds among institutions -- all of which have far more need for funds than they actually receive.

*Existing provisions differentiating between initial year and continuing SEOG awards should be repealed. These provisions have not served a practical function in recent years, and in fact have been ignored by the Appropriations Committees.

College Work-Study

Assuring self-help opportunities for almost a million students is the vital function of the College Work-Study program. We propose no substantive changes in this program, but make one technical recommendation related to our request for elimination of the state allocation formula. In implementing this change, we would maintain the current reservation of the first 50 percent of reallocated CWS funds for cooperative education programs under Title VIII. This useful incentive for expansion of the related Cooperative Education program is worth preserving.

National Direct Student Loans

This program still serves an important role as a supplemental loan program for low-income students. We support its continuation with elimination of the state allotment formula as explained above and with one substantial modification to reinforce the primary role of NDSL: We propose that low-income students be given an explicit priority for the program, which has always been considered as a source of loans for the neediest students. In terms of the broad objective of targetting federal aid, it is important to assure that NDSL loans go first to students in greatest need.

State Student Incentive Grants

The SSIG program should be maintained as a useful incentive for States to make their own contribution to the support of needy students. We suggest an amendment to permit States to use their allotments in excess of current levels to support State work-study programs and/or public service programs which provide payments toward meeting college expenses. We believe it is desirable to encourage further state development of such programs in addition to or in lieu of additional SSIG funding.

Special Programs for the Disadvantaged

We support a substantial increase in authorization levels for the TRIO programs, which provide important and demonstrably effective services to encourage the enrollment and retention of low-income, first generation, and physically handicapped individuals in college. It is estimated that fewer than [illegible] percent of eligibles currently receive these services, which should be expanded in concert with the grant programs.

Proposed Changes in Need Analysis

We propose a need analysis system which, to the extent feasible, uses the same criteria and values for all federal programs. While there are some unique aspects of the Pell program in terms of tax rates on discretionary income and cost-of-attendance assumptions, the basic framework is the same for all Title IV programs. We believe that federal standards of need analysis should be prescribed for federal programs, although we also believe that institutional resources should continue to be distributed according to institutional priorities. In most cases these correspond to federal priorities, but there are some instances in which institutional criteria are more stringent because of the limited amount of institutional aid.

We propose a new standard for determining whether parental resources are assessed in determining expected family contribution for Title IV assistance. To avoid potential program abuse, we recommend that the current definition for an independent student be replaced by an age criterion (22), below which parental financial resources must be included in computing expected family contribution for all Title IV programs (except SSIG). Exceptions would be made for students who are orphans or wards of the court, those who are married or have legal dependents, veterans, and graduate and professional students. An institution could waive the requirement of parental financial data in individual cases where independence can be documented. The elements of this definition are completely verifiable, unlike the current provisions which are based on residence and amount of parental support. Our proposal is similar to the definition proposed by the Administration in its FY 86 budget documents, but is more equitable because it provides necessary exceptions for non-traditional students.

Disseminating Information Regarding Federal Programs

In recent years, there have been two major handicaps to overcome in order to improve the participation of low-income students in postsecondary education. One is the need for adequate grant support; our recommendations for increased Pell funding and retargetting SEOG funds on low-income students address this concern. Equally important, however, is the need for adequate information on the availability of student financial aid supplied as early as possible to high-school students and publicized as widely as possible for older students.

For this reason, we support the recommendations of the National Coalition on Student Financial Assistance to require the Department of Education to prepare a plan for disseminating information and counseling regarding federal programs and to allocate $5 million each year from the Department's budget to cover the costs of contracting with states and institutions or non-profit organizations to provide information to disadvantaged, minority, and handicapped individuals, adults and non-traditional learners, and other groups who are isolated by virtue of geographic location. We recommend a specific requirement that the Secretary reinstitute a toll-free telephone number to provide information on programs and assistance on how to complete an application.

We address a related issue by proposing language to clarify the existing statute which prohibits charging a fee to students or parents for processing applications for federal assistance. We believe that charging such a fee inhibits many low-income students and families from applying for aid, and thereby prohibits their attending institutions of postsecondary education.

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In summary, the recommendations we have described would target Title IV aid more effectively on the neediest students, make a number of desirable program improvements and simplifications, and enable major progress in restoring a more appropriate balance between grants and loans.

Senator **HAWKINS**. There are many programs under the Higher Education Act that now receive zero funding. How are the colleges compensating for these programs?

Mr. **ATWELL**. Out of their own resources: in many cases out of gift funds. In many cases, that explains why colleges and universities have had to increase their funds.

Senator **HAWKINS**. Have you found any programs that are not really necessary?

Mr. **ATWELL**. No. I cannot think of any programs in the Higher Education Act that I would consider unnecessary. I think it is a minimal sum that they are being funded with.

Senator **HAWKINS**. As part of the first concurrent budget resolution, the Senate amended the loans programs by giving both the administration and the States' guarantee agencies more authority to prevent delinquencies and to collect outstanding debts.

What would be your recommendation for improving the collection of these defaulted loans?

Mr. **ATWELL**. I think we are very supportive of the Department's efforts in this regard to tighten the collection procedures. I would support all of that and I think they have increased that activity.

I think that, as a result, the default rate in this program has been dropping, but the amount of dollars in default is larger because the volume of loans is larger.

Senator **HAWKINS**. Do you experience much zeal on the part of the collectors?

Mr. **ATWELL**. Oh, yes. I think so.

Senator **HAWKINS**. Thank you very much.

Mr. **ATWELL**. Thank you, Senator.

Senator **HAWKINS**. The next panel consists of the presidents of four well-known colleges and universities in my home State of Florida.

Dr. Robert H. McCabe is the president of the largest community college in the country: Miami-Dade Community College. The second panelist is Dr. Frederick S. Humphries who serves as the president of the Florida Agricultural & Mechanical University, called Florida A&M, a historically black college in Tallahassee, FL, of which we are very proud.

I understand that this university graduates the majority of the black pharmacists in the United States.

The third panelist is Dr. Edward T. Foote II, who is the president of the University of Miami. In addition to planning a national football championship 2 years ago, which I helped to cheer on, the SAT scores at the University of Miami broke 120 points for the 6th year, which is quite an accomplishment.

I commend you greatly for that.

Our last panelist on this panel will be Dr. Pope A. Duncan who is the president of Stetson University. As many of you are aware, Stetson is one of Florida's fine Baptist universities.

I look forward to receiving your testimonies. We will have Dr. McCabe go first.

STATEMENTS OF ROBERT McCABE, PRESIDENT, MIAMI-DADE COMMUNITY COLLEGE; FREDERICK S. HUMPHRIES, PRESIDENT, FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY REPRESENTED BY OSWALD P. BRONSON; EDWARD T. FOOTE II, PRESIDENT, UNIVERSITY OF MIAMI; AND POPE A. DUNCAN, PRESIDENT, STETSON UNIVERSITY

Mr. McCabe. Senator, thank you very much for the opportunity to appear. I have submitted testimony that has some detail dealing strictly with the Pell Grant Program. Therefore, I will try to restrict myself to making only one major point this morning that is consistent with your opening comments.

First of all, I am the president of the Miami-Dade Community College which is an institution that has 6 percent of all of the Hispanic students in higher education in America enrolled. It is an institution that has more minority students than all of the other colleges and universities in Florida put together. So we are an institution that deals with the people who have the greatest needs in terms of aid so that they can attend college.

Since 1972, we have provided more than $25 million in Pell grants. At our institution, we award 9,000 to 10,000 Pell grants per year and 90 percent of those go to students who come from families with incomes of less than $15,000.

In fact, these individuals simply would not have been able to afford to attend college. I would like to tell you one brief story, Senator, to make the point because it makes it so well.

Recently, at a graduation at our campus downtown, it was a big family event. The mom and the grandmother and sister Sue, and everybody else came to this event. A young man who was a Mariel refugee was walking across the stage to get his diploma.

His father stood in the back of the room and yelled out, "Viva America." What I heard from him was, "In no other country would my son have had this opportunity"; and what I understood was: there is no other country smart enough to be sure that they fully develop all of their human resources.

That, Senator, is what Pell grant is all about. It would be a tragic mistake for this country if we did anything to have fewer people gain additional skills and fewer people move on to the higher education system.

With regard to specific recommendations concerning the Pell Grant Program, I only have one that is different. Basically, my recommendation is to continue the program, essentially along its current lines and consistent with the aid and need recommendation.

I do think there is cost waste with the central processing program, and that money could be saved both at the institutions and at the Federal level if that program were eliminated and the grants were managed at the institution level.

I do suggest one thing, however, and that is: Our most needy students are not those who are able to take 4 years out of their lives and move into dormitories to live for 4 years separate from their homes, but rather those who not only have to live at home but, even more importantly, those who are supporting families or the person who is a single parent with children.

These people have the greatest need and, along those lines, I would make one recommendation, and that would be: When we look at the cost of attendance—which includes housing and which includes transportation and food—for this extremely needy group, we include the cost of child care, which I believe would permit large numbers of women who are really struggling with the most difficult circumstances to return to school, to be successful and to become productive contributors to society.

Finally, I simply recommend to you, consistent with your own initial comments, that we continue the Pell Grant Program essentially along the same lines, but with the highest priorities because it is a program which deals with access.

Thank you very much.

[The prepared statement of Mr. McCabe follows:]

STATEMENT TO
THE SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND THE HUMANITIES RELATING TO THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1986 AND IN PARTICULAR THE PELL GRANT PROGRAM

Presented by:

Robert H. McCabe, President
Miami-Dade Community College
Miami, Florida

October 1985

Mr. Chairman, members of the subcommittee, I appreciate very much being invited to submit testimony to you concerning my impressions of the the successes and shortcomings of the Pell Grant program. The present Pell Grant program was established as the BEOG (Basic Education Opportunity Grant) by the Educational Amendments of 1972 and since that time has provided more than 25 million grants to needy students in this country. During the twelve years of the program, many of the original objectives that led to the establishment of the BEOG have been achieved. Literally thousands of students with a BEOG serving as the foundation of their financial aid package have been funded to the level that achieving a post-secondary education has become a reality.

The institution with which I am associated is an outstanding example of the accessibility to higher education that has been provided by federal financial aid programs such as the Pell. Miami-Dade Community College was founded on the site of a surplus Navy air installation in 1960. The college has grown today over this 25-year period, to a four-campus, 41,000 credit student institution serving Greater Miami and the outlying areas of Dade County. Much of this growth can be attributed to financial aid and the opportunities that it provides to eligible students. For the past several years, the College has awarded between 9,000 and 10,000 Pell Grants per year to needy students, 90% of whom come from families with incomes of $15,000 or less. These individuals simply would not have been able to afford the promise of higher education without the federal support provided through this program.

Even though the Committee should exert every effort to maintain the Pell Grant in substantially the current form, there are some areas that suggest review and modification. One facet of the program that is extremely time-consuming and does not appear to best serve the needs of the program, is the use of a central processor. Basically, the present Pell Grant delivery system and the use of a central processor prevent the Department of Education from delivering the educational dollar to needy students on a timely basis. These delays are caused by many factors--changes or corrections to data, duplication of effort by approved multiple data entry processors, and their work then being forwarded to the central processor permitting the Department to then generate the SAR which results in duplicated paper work and unnecessary delay. Attempts have been made over the past several years to correct these problems with no noticeable improvement. The changes that have occurred appear to have benefited the Department of Education more than better serving the needs of students or of the institutions which they attend.

The time has come to give serious considerations to a system that recognizes the expertise of educational institutions and their ability to direct funds to the students with the greatest need.

FEDERAL ASSISTANCE FOR THE NON-TRADITIONAL STUDENT

In 1982-83 the 5.25 million part-time students enrolled in post-secondary education represented the fastest growing sub-section of higher education in America. The decade between 1972 and 1982 reflects a 70% enrollment increase for students in the 25 to 34 age category. The average age of students enrolled at Miami-Dade Community College is currently 27 and it appears to be increasing. Women in both full-time and part-time enrollment categories now constitute 50% of the College enrollment. The percentage of minority students has increased so dramatically on the campuses of this community college that the student that is now described as the traditional student is rapidly becoming the non-traditional enrollment. For the purpose of this discussion, I will simply define the non-traditional student as anyone who is not in the category of 18 to 24 years of age, and is taking less than 12-hours of credit courses.

Colleges and Universities are rapidly trying to make adjustment to successfully meet the needs of this changing population. Demographic studies indicate these changes will continue, if not intensify, as the higher education community approaches the nineties. I believe that an adult part-time student who has expressed a desire to improve their status in life through increased education to upgrade their employability skills, should not be denied the opportunity solely on the basis of credit hours being taken. I further feel that these students should be assisted by grants and work opportunities rather than loans. The low income limited education status of this population is such that loans are not a practical solution to the financial obstacles with which they are burdened.

I, therefore, recommend that the Pell Grant regulations be modified to provide assistance to students with established need regardless of enrollment status. Further, I recommend that the guidelines of these changes be carefully developed so as to aid those students who need genuine assistance, and not just provide a subsidy for all part-time students.

CONTINUATION OF THE ABILITY TO BENEFIT PROVISION IN THE TITLE IV GENERAL REGULATIONS.

Miami-Dade Community College is currently permitted by the Higher Education Act of 1965 to admit and award students who otherwise meet the eligibility requirement for financial aid under the following circumstances:

1. Have a high school diploma.
2. Have the recognized equivalent of the high school diploma.
3. Are beyond the age of compulsory school attendance, and have the ability to benefit from the training offered.

The Community College is by design a low cost accessible postsecondary institution, that is prepared to offer the opportunities of higher education, to students of moderate means, background and ability. The open door is a term frequently associated with the public community colleges, signifying a willingness to enroll students who would probably not meet the standard admissions requirements of most colleges and universities. There has been a period in which the open door has tended to be a revolving door in that many of these high risk students have been academically dismissed in large numbers. The pattern has been that the student gaining admission and without proper support services performs poorly academically, and either drops out or is dismissed from the institution.

Several years ago, colleges began to realize that this population with severe basic skills deficiencies would require intensive developmental support if they were to successfully cope with the demands of college-level courses. In the past five-years, considerable effort has been devoted to designing and initiating college preparatory programs. The results of these programs in raising the grade level competencies in writing, reading and math in this student population has been most encouraging. A significant number of students at Miami-Dade Community College, who began their college academic careers in remedial courses, transferred successfully this fall to the state university system. Five years ago, in all likelihood, these students without the developmental support that is now available would have given up in despair. The nation can ill afford to ignore this segment of our society which is capable of being self-supporting and productive. It is imperative that these individuals have every opportunity to develop their abilities to the fullest. Thus, the committee is strongly urged to continue the Title IV regulation that provides for individuals to receive federal financial aid under the "ability to benefit" provision. Continuing financial aid support is the only hope that this academically deficient population has of gaining the training and education necessary to enjoy a successful future.

THE CONTINUATION OF ACCESS TO HIGHER EDUCATION AS THE PRIMARY GOAL OF THE PELL PROGRAM

Perhaps the single most important achievement of the Pell Grant Program relates to the goal of making an opportunity available to all students so that they can pursue their education regardless of their ability to pay. This has been done primarily by determining eligibility for the program based on the family's ability to contribute rather than on the cost of attending the institution the student may prefer to attend. This concept brings us squarely to the issue of providing access to higher education versus choice of institutions.

In recent years, a great emphasis has been placed on improving the quality of the education and training that all students receive. A by-product of these discussions, coupled with the budgetary constraints that the country has expetienced, developed into a seemingly unsolvable conflict between whether it is better to maintain the present system that offers access to all underprivileged students, even if the choices of educational institutions are limited, or whether scarce resources are better allocated to provide for a smaller group of meritorious students the opportunity of attending higher cost institutions which are perceived as being capable of providing a superior kind of education and training.

Since its inception in 1960, Miami-Dade has strived to offer an educational opportunity to all capable students in spite of their economic background. At the same time, the College has slowly but surely evolved with the times so that currently an increasingly greater emphasis is being placed on improving the quality of the education and training offered by this institution, and at the same time making up for the deficiencies that many high school graduates bring with them to College.

This commitment to "access with excellence" has been possible in great part thanks to the role played by the Pell Grant program under its present form which attempts to give every qualified applicant access to higher education, and leaves to other programs, particularly the Guaranteed Student Loan program as well as those provided by the individual states and the private sector, the responsibility of providing a measure of choice to the academically deserving economically disadvantaged students who want to pursue careers at higher cost senior institutions.

The success of the Pell Grant program lies primarily in this distinction, and it is on that ground that my institution strongly urges this committee to preserve the Pell Grant as a program that will determine eligibility based on the family's ability to pay rather than on the cost of the institutions that the student may desire to attend.

CONSIDERATION OF DAY-CARE EXPENSES BEING INCORPORATED INTO THE COST OF ATTENDANCE BUDGET FOR FEDERAL FINANCIAL AID PROGRAMS

As indicated in another section of these recommendations, part-time students and the most rapidly growing sub-population in higher education today. Women in the 24- to 35-year age category constitute over 50% of these part-time enrollments. Many of these women struggle with the expenses of a college education, frequently due to the demands of being a single parent. These individuals are attempting through increased education to improve their employment status to better paying positions. To accomplish this goal the person being part-time probably does not qualify for any aid programs and, therefore, from an already strained budget must provide two to three hundred dollars for fees and books each term. Additionally, the single parent has to provide for child care while they are attending classes. These expenses can be considerable and frequently are the determining factor as to whether these individuals can pursue additional training and educational opportunities.

I believe that this expense is as essential as the other basic items of transportation and clothing that are currently recognized in the students' acceptable educational costs. This segment of our population has indicated a strong desire to seek additional education. Recognizing this movement as a professional educator, I strongly urge you to allow for day-care expenses as a separate item in the cost of attendance budgets utilized in determining awards for federal financial aid programs.

There are other concerns relating to the Pell Program, but the issues that I have mentioned are those that most severly impact the 1985 community college population.

Again, I want to express my appreciation for having this opportunity to present this brief summary for your consideration.

Senator HAWKINS. Thank you, Dr. McCabe.

Dr. Humphries is not here yet so we will skip to Dr. Foote.

Mr. FOOTE. On behalf of students and scholars, I am deeply grateful for this opportunity to testify before your committee. A strong system of American higher education is crucial to our future, and for that matter, the world's. Thus, it is encouraging that you would come to Miami during the annual meeting of the American Council on Education and ask the views of us who try to serve that system.

You may be surprised by mine. I propose no additional outlays of Federal money—at least not yet. The Higher Education Act of 1965 should be temporarily extended in substantially its present form. Countless educators and others have urged no cuts and I agree, for this law, arising from the tumultuous 1960's, has served our country well.

Twenty years ago, then a journalist in Washington, I covered some of the great national debate leading to the law we now consider. Hailed as one of the most important pieces of legislation ever enacted because of the fundamental importance of education, especially in a free society, the law has brought great improvements to higher education, from nationally expanding access to a college education for those who could not previously afford it, to rebuilding the Nation's research libraries.

But 1965 was long ago. The world is very different now. Our country is very different now. The needs of higher education have changhed, as life has changed, and we should not be content merely to recast the same solutions for problems that are no longer necessarily the same.

I propose rather that Congress create a National Commission on the Future of Higher Education to study its present condition, its strengths, and its weaknesses. The Commission should focus especially on the needs for teaching, research, and related services our Republic will face in the 21st century, and the appropriate role for the Federal Government.

The Commission should be bipartisan. It should include wide representation from higher education, but education is too important to leave exclusively to educators, so it should include also distinguished representation from other important sectors of public and private life. The Commission should be broadly charged to look deeply and honestly into the future, to "make no little plans," lest we find a generation hence that, by thinking too small in a time of colossal danger, as well as opportunity, Americans of the 1980's defaulted their honored place of world leadership.

I deeply share the concern of every American about the massive Federal deficit. It is tempting to eliminate or reduce Federal programs of all kinds, including those in higher education.

But overshadowing even this looming mortgage on our children's lives would be the failure to invest soon in preparation for the very different world in which they will live.

At no time in human history has higher education, including research, been more important than right now.

From cancer to acid rain, nuclear energy to starvation, from the atom to a reordering of the world economy, we are and will be challenged gravely, and the stakes are incredibly high.

During the celebration of the fortieth birthday of the United Nations, and the days preceding the upcoming summit conference, it is a good time to remind ourselves of the dangers of not understanding the nations of our planet, their languages, cultures, political systems, and aspirations.

Within the next two or three generations, geologists tell us we will exhaust known petroleum reserves, and our children will live with that. Our future may well depend on wise utilization of space and our oceans, two vast and little understood resources.

Demographers tell us that massive starvation will confront some developing nations as populations explode in number, and our children will live with that.

Knowledge is expanding exponentially. The penalty for failing to master it, whether measured in the global marketplace or nuclear weaponry, is incalculable. Recent history is instructive and sobering. By the time we realized the potential of robotics, our parking lots were filled with foreign cars.

The key to understanding, much less solving, such enormous problems is education and research. Our system of higher education despite vast accomplishments, is in jeopardy.

What we need now is not necessarily more of the same in higher education, although this act should be reauthorized for the time being. What we need is a national debate on the hard realities of what is approaching, and how we should be preparing.

Such a debate, guided by the Commission that I suggest to you, could result not just in the patching of existing legislation. It could have the same profound impact on the future of our Nation, and our world, that has occurred during other major watersheds of our history.

Education and research are expensive, but infinitely more so is ignorance. We should be investing our public money wisely, but we must be investing our money. We should be investing now, not later, in our libraries, our computers, our laboratories, our campuses, but most especially in America's greatest asset, her people.

The discoveries by tomorrows's Nobel Laureates will be based on decades of work. It is today's assistant professors, men and women in their twenties who have chosen the life of the mind, who will be guiding us toward tomorrow's answers, but their work must be supported now or those discoveries will not be made.

Associated as I am with a major, private research university that is feeling the financial squeeze of the eighties just like everyone else, I am tempted to recommend significant increases where I know they are needed, but I think that would be a mistake. During this period of understandable fear about the deficit, there is insufficient focus on society's needs for higher education, and what must be done to meet them. I think those of us in the higher education community have more work to do. The wisest course, I therefore am persuaded, is to hold the present course without abrupt changes, until the Nation's long-term interests in higher education are clearly understood.

I respectfully suggest that creation of a Commission on the Future of Higher Education would be a sensible next step. Thank you again for this opportunity to speak. Welcome to Miami!

Senator HAWKINS. Thank you very much.

We will now hear from Stetson University's Dr. Duncan.

Mr. DUNCAN. Senator Hawkins, let me express my appreciation for your giving me an opportunity to testify here this morning.

I have submitted testimony and, as in the case of several others, I am going to let that submission stand for itself except to say that, in effect, it summarizes the position of the National Association of Independent Colleges and Universities with respect to the reauthorization act.

It also points out the increasing difficulties of the students in the independent sector of higher education in their ability to meet the price which is necessary for colleges and universities in that sector to ask for their product.

The issue of access is one which we have talked about a great deal. We have also talked about the issue of choice.

It is my contention that the issue of choice overlooks the fact that it is still an issue of access: access to the great private and independent sector of higher education in America.

If one assumes that a student does not have the choice to attend that system—that is, the private or independent sector—then one is really saying that the person does not have access to all that is the great system of higher education in America.

If it is in the national interest—and I think we all agree that it is—to have a private or independent sector of higher education, then it should be accessed by all elements of the population, and not simply by those of wealth.

The Higher Education Act has provided in the past—and continues to provide—one of the great elements which enables young people to access the private sector of higher education.

It is vital that this act continues to be that instrument. It follows, also, that programs need to be sensitive to price—as well as to need—if this object is to be continued and advanced.

It also follows that many young people in the great middle class of our society need to be encouraged to access that system—particularly through the availability of low-cost loans.

The GSL has—with whatever faults it may at one time have had—has certainly made possible access to the private or independent sector by a large middle-class group of young people who would otherwise have had to have gone to the public system.

I think that we have assumed—and I hope that we can continue to assume—that the arguments have been made that the private sector is of significance, and even of essential value to the well being of our Nation.

Not only is it a valuable asset; it is one which is fundamental to the very nature of our society and to our free enterprise system.

We believe that it is fully as important to the public system, because it does give the public system another benchmark against which it may judge itself. As well, it is not simply meaningful to the individual that the person have access to the private or independent sector, but to the life of the Nation. It is a matter of national interest.

I am grateful to you, Senator, for the opportunity to present this testimony, and I wish you and the committee well in further deliberations.

[The prepared statement of Mr. Duncan follows:]

Testimony of

POPE A. DUNCAN

PRESIDENT

STETSON UNIVERSITY

before the

Committee on Labor and Human Resources

United States Senate

Fontainebleu Hilton Hotel

Miami, Florida

October 28, 1985

Senator Hawkins, I am Pope Duncan. I serve as President of Stetson University in Deland, Florida.

I am pleased to appear before you today to present the proposals of the nation's independent colleges (the National Association of Independent Colleges and Universities) for reauthorization of the Higher Education Act. At our February 1985 meeting in Washington, D.C., NAICU adopted a Policy Platform Statement for the 99th Congress, including a number of recommendations for reauthorization of the Higher Education Act. I have attached to my testimony a summary of those recommendations.

Student Assistance

Let me begin by giving you some information about student aid recipients at independent colleges and universities across the nation for academic year 1983-84.

- 1.4 million students (nearly two-thirds of all students in the independent sector) received some form of student aid from the federal government, their state government, their institution, or another private source.

- 1.2 million students (eighty-four percent of all students who receive some form of student aid) received federal student aid. That means that federal student aid goes to almost half of all students attending independent colleges and universities!

- Recipients of federal aid and their parents contributed an average of $5,705, or nearly two-thirds of the total price of education. That represents an increase from an average of $3,313, or 53 percent of the total price in academic year 1979-80!

- Average family income of recipients of federal student aid was $22,100, and if we exclude GSL-only recipients, the average family income was $17,600.

The above facts demonstrate how important the federal student aid programs are to needy students attending independent colleges and universities. But we also found that --

o For Pell Grants, the participation rate of our needy recipients declined from the high water mark of 66 percent in 1979-80 to 39 percent in 1983-84, and average Pell Grant awards increased only slightly from $974 in 1979 to $1,164 in 1983.

o For Supplemental Educational Opportunity Grants (SEOG), the other major federal need-based grant program, the percentage of recipients/average award declined from 31 percent/$694 in 1979-80 to 20 percent/$650 by 1983-84 academic year.

o National Direct Student Loans (NDSL) declined dramatically, College Work Study (CWS) opportunities declined slightly over the same period, and State Student Incentive Grants (SSIG) showed a dramatic decline in funding at the federal level.

How then are needy students continuing to attend independent colleges and universities? The simple answer is in two parts: (1) the colleges and universities are struggling to fill the gap by providing their own institutional student aid -- almost $2 billion in 1983-84; and (2) more needy students in independent colleges and universities are finding themselves increasingly dependent on larger loans to help finance their educations.

For example, in the four-year period from fall 1979 to fall 1983, the percentage of dependent recipients borrowing a Guaranteed Student Loan had increased dramatically -- from 15 percent to 57 percent, with the average loan also increasing from $1,787 to $2,249! More distressing was the fact that the lowest-income students (family adjusted gross income of $6,000 or less) were as heavily dependent on GSL to meet their educational costs, with 57 percent from this lowest-income category borrowing an average of $2,259, as compared with 15 percent in 1979 borrowing an average of $1,400.

When confronted with that factual background of diminished availability of grant assistance and greater reliance on loans for students attending or aspiring to attend independent colleges and universities, the presidents of independent colleges and universities who comprise the NAICU membership adopted policy recommendations for reauthorization of the Higher Education Act designed to redress this imbalance between grant and loan support for needy students in general, and for the lowest-income students in particular. Our student aid recommendations include --

- A restructured Pell Grant program that more effectively targets larger grants on low-income students and inserts price sensitivity into the basic structure of the program in order to assure equal educational opportunity.

- A revamped SEOG program that targets funding on students with the greatest need for funds, and ties appropriations for the two major federal grant programs more closely together. Our SEOG proposal would maintain the allocation levels that are being used by colleges and universities this fall, so that no institution loses funds, but would direct all new appropriations above the FY 1985 level to those institutions whose demonstrated need exceeds the amount of funds available.

o A restructured GSL program that limits all loans to need, with slightly increased maximum loan amounts for established students only, with opportunities for students to consolidate their loans when they enter repayment under income-related payment schemes, and with loan amounts not reduced by arbitrary origination charges.

As Dr. Atwell mentioned at the beginning of this hearing, the six major presidential associations in Washington, after many months of intense negotiations, have arrived at a consensus proposal for the future structure of the Pell Grant program. I am pleased to say, as a representative of the independent sector, that that proposal does indeed begin to address our concern for price sensitivity and the targeting of larger grants to low-income students.

In addition to the crucially important area of Title IV student assistance, NAICU is deeply concerned with the reauthorization of Title III: Institutional Aid and Title VII: Construction, Reconstruction, and Renovation of Academic Facilities.

Because of the limited time which I have to present oral testimony, I have chosen to attach that portion dealing with Title III and Title VII as a supplement to the oral testimony.

Senator Hawkins, on behalf of NAICU, Stetson University, and myself, I thank you for this opportunity to testify before you today. I would be happy to try to answer any questions you may have.

SUPPLEMENT TO ORAL TESTIMONY

Title III: Institutional Aid

In the area of Title III assistance, we urge you to address the unique needs of our nation's historically black colleges and universities through a separate part of Title III. NAICU is especially sensitive to the struggles of the institutions that comprise the United Negro College Fund, which also is a member of NAICU. These schools have long served a vital purpose in educating our nation's black youth in the face of adverse conditions.

The programs under the current Title III have had an inconsistent and confusing history that has confounded many college presidents. In order to develop reauthorization proposals for Title III, NAICU established a voluntary task force from its membership. The group included members with broad experience with the Title III programs. The task force's reauthorization recomendations for Title III were presented to the House Subcommittee on Postsecondary Education on July 30th by Dr. Merle Allshouse, chairman of the NAICU Secretariat.

In brief, the task force recommends that:

o the eligibility criteria for this institutional aid program be expanded to look at institutional characteristics in addition to student aid data,

o continued funding from Title III be contingent on the institution demonstrating progress toward its program goals,

o institutions be given the option, within reasonable limits, to choose the length of time needed to accomplish well-defined objectives,

o scarce federal dollars be distributed widely among the many institutions in need of such funds.

Title VII: Construction, Reconstruction, and Renovation of Academic Facilities

In the area of Title VII assistance NAICU is deeply concerned with the problems of deferred maintenance and outdated instructional equipment on the campuses of our nation's colleges and universities. Twenty-five percent of higher education's physical plant was built before World War II and a similar amount was built before 1960. Estimates of the facilities and equipment renewal and replacement needs for all of higher education have ranged from $30 billion to $50 billion. While NAICU does not look to the federal government to address the entirety of this problem, the association notes that the Title VII programs have been woefully underfunded in the last decade. We would like to encourage the Congress to expand its commitment of direct loan and grant assistance under Title VII.

NAICU also encourages the Congress to investigate the expansion of the College Housing Loan program to allow institutions to borrow for the purposes of renovating academic facilities. The College Housing Loan program was enacted in the Housing Act of 1950 and maintains a revolving loan fund for the purposes of building new dormitories and other facilities. We believe the time has come to expand the program to bring it into conformity with current renovation rather than new construction needs. Since the revolving fund is currently active, such an expansion could be brought about through a change in statutory authority without new appropriations.

Another proposal that holds promise to help alleviate higher education's need for renovation assistance is the College Construction Loan Corporation as conceived by the Student Loan Marketing Association (Sallie Mae). This corporation, funded through modest federal appropriations and commitments by Sallie Mae, would provide loan insurance and loan guarantees to make private capital available to creditworthy colleges and universities at rates that are affordable to these institutions. NAICU encourages the Congress to investigate this proposal which holds the potential to leverage a significant sum of private sector capital through a minimal commitment of federal funds.

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NAICU RECOMMENDATIONS FOR REAUTHORIZATION OF THE HIGHER EDUCATION ACT

TITLE IV - STUDENT ASSISTANCE

Student Grant Programs - Continue the existing federal policy goal that every eligible student shall receive aid under the Pell Grants, SEOG, and SSIG programs that, in combination with reasonable parental and student contributions, will be sufficient to meet 75 percent of a student's cost of attendance.

Pell Grants - Restructure Pell Grants in order to resolve the long-standing conflict among sectors of higher education over percentage-of-cost limitation/maximum award/funding triggers for other programs by instituting a new Pell Grant formula. The formula would target the program on low-income students and insert price sensitivity into the basic structure of the the Pell Grant program, basing eligibility on a two-part formula: (1) half of tuition, mandatory fee, and book expenses for all eligible low- and middle-income students, up to a maximum of $2,100, plus (2) a substantial allowance to cover living expenses for all low-income students, up to a maximum of $2,100. This mechanism would award substantial grant dollars to low-income students for their living expenses plus half of their tuition expenses in order to assure their access to all types of higher educational opportunities, but would limit the participation of middle-income students to just half the "price" charged to them.

The proposal assumes the same taxation rates on discretionary income for dependent and independent students in order to provide substantial grants to low-income students and a $200 minimum award to a student from a typical family of four with one in college and an adjusted family income of $30,000.

Supplemental Educational Opportunity Grants - Reauthorize the SEOG program with a funding authorization of no less than 15 percent of the appropriation for Pell Grants. Target SEOG funding on students with greatest need for funds (defined as those students whose expected family contribution is less than one-half of their total cost-of-education). Maintain institutional "hold harmless" level at amount institution used in academic year 1985-86 (FY 1985 appropriation). Allocate all new funding above the FY 1985 level only to those institutions whose institutional "Fair Share" exceeds their institutional "Conditional Guarantee". Reinstitute institutional matching requirement in program, with matching funds to come from non-federal sources. Drop use of institutionally-provided need-based student grants and awards from formula used to determine institutional need for SEOG.

State Student Incentive Grants - Reauthorize the program and allow states to use up to 50 percent of new allocations, above FY 1985 level, to establish or sustain a 50/50 federal/state matching work-study program.

College Work-Study - Reauthorize the program without changing the language that limits CWS to non-profit institutions, without changing the existing reallocation procedures, and without consolidating the program with Cooperative Education. Allocate new funding above the FY 1985 level as in SEOG (see above).

National Direct Student Loans - Reauthorize the program and rename the program for its principal advocate, the late chairman of the House Education and Labor Committee, Representative Carl D. Perkins.

Guaranteed Student Loans - Reauthorize the program increasing the annual loan limits for those undergraduates who have completed their first two years of study toward a bachelor's degree and for graduate students to $5,000 and $8,000, respectively. Aggregate limits are increased to $20,000 for undergraduates and an additional $25,000 for graduate students. Limit all loans to need remaining after all federal grant, work, and loan benefits, together with all expected parental/student contributions are taken into account. Provide for borrower-requested consolidation of student loans. Repeal the origination fee. Provide for a federally-guaranteed, but not federally-subsidized, "loan of last resort."

PLUS Loans - Reauthorize the PLUS loan program making it more attractive to lenders, and therefore a more viable program for borrowers, by allowing consolidation or refinancing of loans, and by allowing secondary markets to adjust payment schedules with the borrower.

Master Calendar - Establish a master calendar for the delivery of student aid in order that the student aid system may function smoothly.

Verification - Require verification documentation to be submitted on all federal student aid applications.

TITLE III - INSTITUTIONAL AID

Reauthorize program with three separate parts: Grants to strengthening institutions, grants to Historically Black colleges and universities, and Endowment grants. Alter eligibility criteria to include a wider body of institutions. Expand permissible uses of grant dollars to include recruitment activities and training of administrative staff. Make Cooperative Arrangements a high priority funding area with more lenient restrictions on participation.

TITLE VII - CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

Reauthorize title with emphasis on renovation rather than new construction. Increase funding authorization to reflect the increasingly critical need for assistance in this area. Streamline title by deleting unfunded provisions for loan insurance and interest grants. Delete community college setaside provision so that all types of institutions compete equally on the merits of their applications.

Senator HAWKINS. Thank you so much for your contribution. I see that Doctor Bronson is in the audience. He testified before this committee in the past, and he is always very knowledgeable.

Doctor Bronson, would you like to include in the record a brief statement for your friend, Doctor Humphries?

Dr. BRONSON. Thank you, Senator.

I understand that President Humphries' testimony has already been submitted, and is a part of the record, but I simply want to amplify one or two points about the significance of the reauthorization of title III for many of our colleges—and especially the black colleges.

As you have perhaps already heard, title III has made a significant difference in the quality and the performance of these colleges, and that is a significant service to a certain aspect of our society which needs these services.

Title III has enabled the Bethune-Cookman College, for example, to develop a number of new programs—programs in computer science, in nursing and hospitality management, and programs in planning and medical technology—and, from these new offerings and others which I do not have time to mention, college enrollment has grown, and, of course, our graduates are out working and rendering service in a very neat way. This can be expanded to all of the other colleges in Florida.

I am here particularly to recommend the reauthorization of title III—especially the modifications of section B—with the hope that this will enable many of our colleges which will go off of title III—for example, Bethune-Cookman College goes off of title III in 1986, and others will be going off, and this modification will allow many of our students who are still in difficulty to remain in title III.

Thank you very much.

Senator HAWKINS. Thank you, and I have a few brief questions.

Dr. McCabe, it is my understanding that statistics indicate that fewer minority students are entering and graduating from college today. Do you have any account for this decrease, if it is true?

Dr. MCCABE. Yes, I think we have an extraordinary problem in this country, which to me—next to the possibility of nuclear holocaust—is the greatest threat that we have, and that is that we are losing increasing numbers of our minority students at every step in education.

There are two problems that I can identify immediate, and one is that—within the minority community itself—the young people—there is nothing in that environment to suggest to the young people that school is important until it is so late in the stream that it is too late to recover, or too difficult to recover.

The second thing is, throughout the country we have new requirements—particularly testing requirements—without investing in helping the people to succeed and to jump those new higher hurdles.

Just to illustrate the problem in this community, we have less than half—or about 53 percent—of the young blacks who start high school finishing high school, and then a declining number going on to higher education, and then an enormous decline in the number who proceed to a bachelor's degree.

Senator HAWKINS. If 6 percent of all of the Hispanic college students in America—as you have testified—attend your college, and also, that you have the largest minority enrollment in the State of Florida, what special programs do you offer to attract them?

Dr. McCABE. Well, we have prided ourselves over the years at Miami-Dade with being able to deal with the changing population, and essentially having the attitude that everyone can succeed, and trying to put in special services to help them succeed.

To illustrate this: our students on the math portion of the program—even though 60 percent would not have been initially admitted to a university, they have scored higher than seven of the nine universities in this State.

Basically, it comes down to a program that is more directive, more supportive and more requiring, so Miami-Dade at this point provides a lot of help, but we are an extremely directive operation to the students who are having difficulties, and we very carefully monitor everything that they do, at every step.

Senator HAWKINS. You are to be commended.

The subcommittee is considering a proposal to build child care costs into the student analysis aid needs system. Is child care available on your campus for young women who are trying to attend school?

Dr. McCABE. We have a small child care operation on our north campus that has 60 students. We have it because it is a laboratory for a program for people preparing to work in that system.

Otherwise, we do not, and we see every day women who are recently divorced, and who have small children, and they are working at minimum wage, and struggling, and the prospect of being able to go to school is extremely difficult, and the damage in the loss of those human resources to our system is tremendous, and what is happening to those children—both.

I think this is an enormously costly thing to the country, and that it could be solved by including day care, or appropriately helping them to succeed.

Senator HAWKINS. Thank you, Dr. McCabe.

Doctor Bronson, what field of study seems to attract or retain most of your students?

Dr. BRONSON. Presently, business in number one—business courses. The fastest growing area, however, is our hospitality management program, which is made possible by title III, in support and in cooperation with the hospitality industry in central Florida.

Senator HAWKINS. Have you, as an administrator, noticed confusion among parents and students due to conflicting information being distributed by the Federal Government as to whether a student will be ligible for aid in the future?

Dr. BRONSON. This did cause some problems in terms of certain students making decisions, and in families making decisions as to whether their youngsters should go to college or not, even though they showed the tendency and ability to do college work.

This is especially critical at Bethune-Cookman College, when 95 percent of our students require financial aid if they are to remain in school. It is especially critical when the average income of the parents—or of the family is $13,000.

It is especially critical when one or more of our students—in cooperation or consistent with ACE funding—are having to depend more and more upon loan funds.

Over the last several years loan funds have increased 900 percent at Bethune-Cookman College, and so much so that we have had to employ a person just to issue loans.

Whether all of this answers your question, it gave me a chance to say what I wanted to say.

Senator HAWKINS. Do you offer child care on your campus?

Dr. BRONSON. No, we do not. Unfortunately, title III does not enable us to do that.

Senator HAWKINS. I have been encouraging businesses to offer it on site because it increases the productivity of the workers—make and female—and also, there is the safety of the children.

We have one in the Senate, I am happy to say Senators' children cannot go there, but our employees' children can go, and it has been an interesting experience for us to monitor that site, and that we have seen the problems that you might or might not have.

I think it is working very well, and I would highly recommend that it be implemented at all of your higher education schools.

Dr. Foote, your testimony was very profound, and I concur with your thoughts about a commission to study and report, and not just to study and study and study.

I understand that you are working toward a comprehensive system of higher education for southeast Florida.

Could you share with the committee some of your plans?

Dr. FOOTE. The planning for southeast Florida is part of the broader planning throughout the State of Florida for higher education, which has been going on for a number of years now.

I believe that Chancellor Charlie Reece (phonetic) is in the audience, and he could perhaps be asked to expand upon what I have to say.

Just very briefly, the effort is to make sure that the State of Florida makes good use of its resources, and that it does not duplicate programs needlessly, and that it takes full advantage of the private sector, as well as the public side of higher education.

As we approach the next century, in one of the most exciting States in our Republic—and one of the two or three fastest growing States—the system of higher education must be adequate and responsive to the needs of the public.

There are 9 public universities in Florida, as you well know, and there are 18 private colleges and universities in Florida, and then there is the community college system, which is so ably represented this morning by Dr. McCabe.

The idea is to make sure that each one of those is recognized for its contributions, and that Florida makes such decisions as to these, keeping in mind the entire structure, and not just a narrow slice of it.

In southeast Florida, in particular, the University of Miami is now 60 years old, and it has been the major institution of higher education for a number of decades.

It has now been joined by the public sectors—by Florida International University, across town, and by Florida Atlantic University up the coast—two strong young universities, that are part of the

State's system. They will develop rapidly, I hope, to prominence, as we have particular problems in this area because of the University of Miami and the other institutions in the southeastern Florida region.

The southeast Florida part of the plan is designed specifically to take into account the advantages and the challenges that we have in this exciting part of the world.

Senator HAWKINS. Do you have a child care system at the University of Miami?

Dr. FOOTE. Yes, Senator, we do We have had a child care center for sometime now.

Senator HAWKINS. Do you have a waiting list?

Dr. FOOTE. I believe that there is a waiting list, Senator, but I am not sure of that.

Senator HAWKINS. Would you check that, and let us know?

Dr. FOOTE. Yes, I will check it, and let you know before the day is over.

Senator HAWKINS. As colleges are looking for extra dollars in the private sector—I know that is your concern, and I must say that I was pleased to look at the rather amitious endowment program—could you share with us, for the record, how that program is coming?

Dr. FOOTE. Actually, Senator, it is a rather modest program, but we are seeking $400 million, which I think is the second largest fund drive in the history of higher education. As of last week, I am pleased to tell you that we had cleared $147 million toward that goal. I say that it is modest, and I mean that, I am not being facetious. It is a tremendous amount of money, but I believe that this community and this Nation will come up with that money for the University of Miami. It is modest in terms of the needs.

Those computers that I talked about, and the laboratories that I talked about, and the libraries, and everything, and the scholarships—those things are tremendously expensive, but, as I tried to suggest in my earlier testimony, not to fund those needs would be penny wise, and pound foolish—whether from the private sector or from the public sector.

We are here to talk about the public sector, but the private side of it, as you well know, is also extremely important.

Senator HAWKINS. Has your university developed any innovative programs to accommodate the special needs of the older, so-called, nonconventional student that you could describe for this subcommittee?

Dr. FOOTE. Well, just very briefly, because we have 14 colleges and schools, and each one in its different way tries to meet the needs of the older student, or the nonconventional student—we have a separate school of continuing studies that is devoted exclusively to the nontraditional student, or the nonfull time student, and we have scores and scores of programs put on all the time.

I will spare you the laundry list, but I would mention—if I may, Senator—the joint venture between the city of Miami, the Hyatt Hotel chain and the University of Miami, which is at the James L. Knight Center in downtown Miami, and which contains 40,000 square feet of space for the University of Miami, in addition to the Miami Auditorium, and a fine hotel.

That is dedicated exclusively—from our point of view—to education, and much of the use of that center is for the nontraditional students; short courses, part time courses, courses for downtown employees, and courses to bring people from around the globe, literally, to Miami to study at the University of Miami. We do a great deal, but if I say much more, I will be using too much of your time here, Senator.

Senator **HAWKINS**. Thank you, you are very modest.

Dr. Duncan, as a church supported institution, what kinds of funding do you receive from your church association?

Dr. **DUNCAN**. The Florida Baptist State Convention provides approximately $1 million a year in operating funds for the university. Generally speaking, our organization does not provide capital funds, so we are dependent upon other sources of funds for capital.

Senator **HAWKINS**. Do you feel that students are getting quality postsecondary education today—a better quality, or a poorer quality of higher education—from the standpoint of the private university?

Dr. **DUNCAN**. I think the quality of private higher education has been improving in the last several years. I taught myself many years ago, and I know that the Stetson quality of education is well above what it was, let us say, right after the Second World War. I believe that is true in many other places, also.

Senator **HAWKINS**. We hope so.

I thank you very much for your participation here today. And we would ask Mr. Reece (phonetic), if he would put a statement in the record for the Florida program. Chancellor, we would appreciate your sharing that with the members of the subcommittee.

The future of our Nation lies with our children. If we keep them healthy, if we protect them, and if we educate them, then our society will naturally gain benefits for generations to come.

I would like to thank all of those who have participated in this hearing today. Together we will keep a window of opportunity open for all Americans.

The testimony received will be made a part of the permanent record, which is becoming very voluminous, but most interesting, and I am pleased to have been asked to chair this higher education hearing, and to give this community the opportunity to voice their special needs, and to present all of those who have been engaged in this vineyard for many, many years, and I look forward to your teaching us—as Senators—a lot more about this subject, and your expertise would help us.

At the same time, I will remind you that we are trying to balance the books of the Federal Government, and to provide for a bright future for the competitive world that Dr. Foote spoke about. It is a big world today, and we must be competitive, and we are seeing that every day, and there is a deep responsibility and commitment on behalf of the elected officials and those engaged in education.

I feel that statement is being made on a daily basis, whether it is in trade, quality control or the whole laundry list that we could go into—and we have a record of excellence in America, and we have a record of hope and opportunity, and hopefully, we can all work together to solve this problem of the quality of life in the future.

Thank you very much.

[Whereupon, at 8:55 a.m., the subcommittee adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

TUESDAY, FEBRUARY 11, 1986

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Ames, IA.

The committee met, pursuant to notice, in the Sun Room, Student Memorial Union, Iowa State University, commencing at 9 a.m., Senator Charles E. Grassley presiding.

Present: Senator Grassley.

OPENING STATEMENT OF SENATOR GRASSLEY

Senator GRASSLEY. Good morning, everybody. I thank you all very much for coming. I would like to call this hearing of the Senate Labor and Human Resources Committee, which hearing is for the purpose of receiving testimony from Iowans on the reauthorization of the Higher Education Act, to order.

I want to welcome everyone to this hearing, and particularly to hear the testimony of our distinguished witnesses this morning.

First, I'd like to make a few preliminary administrative comments. I've asked witnesses to limit their remarks to 7 to 10 minutes, which would allow some time for questioning, and for those with prepared statements, it's a matter of course that we would print the entire statement in the record as if read. So if it is longer than that, it gives you an opportunity to summarize, but the full details of your statement will still be available for everybody to consider.

The need to reauthorize the Higher Education Act arises from the expiration of this important statute at the end of this fiscal year, September 30, 1986. The Higher Education Act has been the lifeline for millions of students to achieve what has been a public policy goal through many generations, a postsecondary educational opportunity for all those who desire to achieve it.

As President Truman emphasized in 1947—and I would like to quote:

> Equal educational opportunity for all persons is a major goal of American democracy. Only an informed, thoughtful and tolerant people can maintain and develop a free society.

The Higher Education Act has been the response to that ideal of equal opportunity to pursue education to the fullest extent. From the enactment of the act in 1965, Federal support to higher education has grown to almost $9 billion in the current fiscal year. These Federal funds have been an investment primarily in people as the focus of the Higher Education Act has shifted from institutional aid to financial assistance to students to enable them to attend college.

As the Senate now takes up the formidable task of reauthorizing this important law, it does so in a time of great national concern about deficit spending. With the specter of Gramm-Rudman starting us in the face as we make tough budget decisions, we must recognize that there are limited Federal resources that must be focused and must be well-spent in every sector of the Federal budget.

As we strive toward fiscal restraint we are also aware that the purchasing power of student aid has eroded in these years of rapidly rising tuition. The burden of indebtedness is growing heavier as students are being forced to borrow more and more to meet the escalated costs of education.

In approaching the reauthorization process, we must be mindful not only of student debt, but also of the changing nature of our student population. The ranks of nontraditional students are growing: the displaced homemaker, the farmers forced to change careers, the veterans wanting educational enrichment. Meeting the unique challenges and the needs of these populations is going to be, as I said, very challenging, as we'll be meeting the needs of a technologically changing society that demands lifelong learning.

ACCESS AND CHOICE

These are the touchstones toward achieving our national commitment to educational opportunities. All students who wish to pursue postsecondary education need access to methods of financing the education of their choice, and the Federal Government must continue to target grants and subsidies to the students who are most in need.

I know that the witnesses we have here this morning will have much to contribute to the discussion of how to carefully track Federal aid to higher education. They respresent diverse viewpoints on how we can maintain that informed, thoughtful and tolerant people that President Truman referred to, and we want to see that that goal that he sought is realized, and reauthorization of this act is one way of accomplishing that goal.

At this point I want to call our first panel, already at the table. Dr. James Freedman, of course, as everyone knows, is president of the University of Iowa, and he is going to represent the concerns of the regent universities, but that is not exclusive of any personal points of view that he wants to make.

Dr. David Buettner is the president of North Iowa Area Community College, and he will share with us the perspective of the State community college system.

And, of course, Dr. George Drake, our third witness, is president of Grinnell College, and he will speak on the concerns of our fine system of independent colleges that we have in Iowa.

What I would like to have you do is go in the way that I have introduced you, and then each of you testify and I will have some questions at the end.

Let me also say something that is not apt to happen, but for the benefit of the present panel plus succeeding panels, every other member of the committee knows that this hearing is being held in Iowa and, of course, we don't really expect Senators from outside the State to attend; occasionally they do. But it is a practice that within 2 weeks you may receive—or I shouldn't say within 2 weeks—but you may receive requests for written responses to questions from other people on the committee. If you do, for that purpose we leave open the record for 2 weeks, but also for the benefit of anyone who has additional material, like witnesses, or for corrections that witnesses want to make, the record will be open for 2 weeks for the purpose of receiving additional testimony or making corrections or deletions.

So that's an announcement not only for this panel, but for all three panels of people who will be testifying today.

So, Dr. Freedman, would you please start, and thank you very much for coming.

STATEMENT OF JAMES FREEDMAN, PRESIDENT, UNIVERSITY OF IOWA; DAVID BUETTNER, PRESIDENT, NORTH IOWA AREA COMMUNITY COLLEGE; AND GEORGE DRAKE, PRESIDENT, GRINNELL COLLEGE

Dr. **Freedman**. Thank you, Senator Grassley. I am grateful for this opportunity to testify in support of the reauthorization of the Higher Education Act. I must say, Senator Grassley, I was greatly heartened by your own statement of the importance of the act. No single piece of legislation that Congress will consider at this session will make such a difference in the quality of education in this country, for both the short term and the long term, as will reauthorization of this act.

Since 1965, the Higher Education Act has been the cornerstone of Federal support of higher education. It has been a beacon to guide the development of sound educational policy that is fundamentally in the national interest. Its reauthorization will provide a blueprint for educational programs in the years to come.

Of the crucial national interests addressed in the reauthorization legislation, none is more pressing than the need to enable the largest possible numbers of our citizens to become productive at the highest level of their abilities. A broadly accessible system of higher education serves society by enlarging the pool of college and university graduates. It also enriches the educational experience of all students by providing opportunities for exchanges within a culturally diversified student body.

The Federal system of student aid, treated under title IV of the House version of the Higher Education Act, and under title I of the Senate version, was created to make higher education broadly accessible. I hope that the provisions of the House version of this bill will remain intact. They will provide a signal that this country remains committed to offering higher education to all who can benefit from it.

Others will testify in detail as to the central importance of this commitment of financial aid. Let me turn, instead, to several other issues which are of particular importance to large public research universities in this State and across the country.

The first such issue is the urgent need for new or refurbished academic and research facilities. Title VII of H.R. 3700, authorizing Federal support for facilities construction and renovation, is particularly important in the light of several years of study indicating an already serious deterioration of the research capacity of this nation. This deterioration is in part due to our failure to maintain the quality of our research facilities. Too many laboratories and other parts of the Nation's scientific infrastructure are aging, outmoded, overcrowded, and even unsafe. Although this problem has been documented in extensive studies by the National Science Foundation, the Office of Science and Technology Policy, and the Congress, no appropriations for facilities have been made for some time.

The House version of the Higher Education Act proposes $50 million in fiscal year 1987 as a down payment on the future of this program. Although even the most conservative studies indicate that the magnitude of the problem facing us over the next 10 years is vastly larger than this amount would signify, passage of this provision would be an important first step.

At the University of Iowa alone, we have 24 important projects for new construction or renovation of existing facilities, at an estimated cost of $37.8 million, which have been approved by the board of regents. Some of these projects have been waiting for several years already, during very difficult economic times in this State. Funding through this legislation, together with support from the States and from the private sector, would allow higher education to move forward with this essential unfinished agenda.

The second issue I would like to address is advanced study beyond the baccalaureate degree. Graduate programs are the seedbed for the future of higher education. Graduate programs provide a renewable resource that fuels other educational endeavors. Without new knowledge at the leading edge of science, technology, and the humanities, and without new graduates to renew the teaching profession, higher education in this Nation will surely falter.

Title IX of H.R. 3700 would provide needed funds to encourage minority participation in graduate education and for other fellowships dedicated to graduate and professional study. I hope that these provisions will remain intact in title II of the Senate version of this act.

The third issue I would like to address is the preparation of teachers. I believe that a new title V of the Higher Education Act should focus upon preservice education as well as upon the professional development of those who have begun their careers in teaching. Strengthening teacher education programs at the graduate and undergraduate levels can best be accomplished by using seed funds to stimulate new initiatives targeted to those activities capable of greatest leverage. Institutes for teachers and administrators meeting periodically during the school year and intensively during the summer would provide for much needed professional development after graduation.

Finally, I am deeply concerned with the issue of international education. Title VI of the House bill and title II of the Senate bill provide for the development of resources and personnel for international study, international research, and foreign language study.

We in the State of Iowa are increasingly aware of the necessity of competing in world markets and preserving some sense of stability in a rapidly changing world environment.

Thus, it is especially heartening that the Federal focus on international education as seen in the House bill includes a new dimension aimed at intensive training in critical and neglected languages. Japanese, Chinese, and Russian are, preeminently, three such languages. Emphasis on these languages in this State, as in other States, will be crucial if we are to respond effectively to the accelerated pace of change in the worlds of international trade, economics, politics, and cultural understanding.

The University of Iowa is committed to international education and has the potential for making important contributions to international understanding. Recently, the university received Federal support to establish the Center for International and Comparative Studies as a national resource center, and we were 1 of only 11 universities to receive such support. As this center develops over the next 3 years, it will greatly increase the resources of the State and the Nation.

I believe the Higher Education Act will form a framework for national decisions that will set the goals of higher education in the United States into the next century. Therefore, the statement it makes must be clear and unmistakable. Together, its titles will represent the most important and crucial choice of values for the future.

The issues I have just mentioned are obviously of great importance to the University of Iowa. But they are also of importance to hundreds of universities and colleges throughout this country. I therefore hope that the Congress will approve reauthorization of the Higher Education Act as promptly as possible.

Thank you, Senator Grassley.

Senator GRASSLEY. Thank you, Dr. Freedman, for that fine testimony.

I would call now upon Dr. Buettner.

Dr. BUETTNER. Thank you, Senator Grassley.

It is a privilege to testify here about the reauthorization of the Higher Education Act and its significance to our State and its people.

The fifteen institutions on whose behalf I speak today provide prebaccalaureate and career education courses and programs throughout the State. These colleges now enroll about half of all those who go to college for the first time in Iowa

While my written testimony is more thorough and addresses other parts of the act, I would like to limit my comments today to the parts contained in the institutional aid, title III, title IV, the Pell Grant Program, and title VIII, cooperative education.

Title III, in my opinion, should more effectively target those institutions whose development will do more for the most to stabilize and expand universal access to colleges and to those which serve the neediest populations. The community, technical, and junior colleges serve more Hispanic and black students than all other segments of higher education combined. They also serve more working adults and disadvantaged students, and they provide more programs expressly tailored to the private sector's advanced and changing training needs than any other postsecondary system.

Were these patterns as fairly weighed in the title III awards as the law's original purposes indicate they should be, these community, technical, and junior colleges would be receiving a greater share of title III support than they are. In fact, I urge you and your colleagues to consider authorization language which would assure that these institutions receive fully proportional funding equity based upon the target populations served by the colleges as recommended in title III.

Also in regard to title III, I would like to suggest that the challenge and endowment grants be changed to permit all institutions with general title III eligibility to compete freely for such grants. The current evaluation procedure, which severely discriminates against colleges with large noncredit expenditures, like most community colleges, should be corrected. The current provision, in effect, only permits recipients of support from the existing parts A and B of the title to be eligible for the challenge and endowment grants, and I believe that additional restriction should also be eliminated.

Of primary importance with regard to the Pell Grant Program is the restoration and maintenance of the purchasing power of the Pell grant. Erosion of the purchasing power has diminished postsecondary educational access for the low-income students whom the program was intended to help.

There is an urgent need to simplify the whole student aid process and to establish annual timetables that improve both program efficiency and participation. The goals should be to reduce the paperwork burden on students, institutions, and the Department of Education, making the program more clearly understood and easily accessible to all potential participants.

Additionally, with regard to Pell grants, I would like to suggest that special provisions be added to more carefully meet the needs of adult learners. Such strategies as excluding home equity, unemployment compensation, other forms of governmental support, should be excluded from the eligibility test for the Pell grants. Perhaps adding child care expenses to the cost-of-attendance calculations would be appropriate.

In addition, I believe that the eligibility should be extended to less-than-halftime students, and I would like to see the cost-of-attendance criteria more accurately reflect the actual cost of a commuting student.

One last recommendation about the Pell grants. We have a particular problem in Iowa in relation to the displaced farmer and his or her dependents. Many of our farmers and their dependents are being forced off the farm because of insurmountable financial difficlties. Community colleges are trying to help them find new occupational opportunities through training or retraining programs of various kinds. These people need the benefits of the Pell grants and other Federal financial aid, but their eligibility is often limited because of the eligibility formula. In determining eligibility, the untaxed portion of any capital gains received by the applicant is treated as income. So, frequently the farmer who sells his land to pay debts, no matter that he has no money left after doing so, is denied grant benefits which he so desperately needs.

It is my recommendation that the formula for eligibility be modified to discount this special kind of capital gains income if it has been applied to debt reduction in some reasonable period of time. It should be noted that this same farmer is often denied access to guaranteed student loan funds if he or she is also in a status of bankruptcy.

In regard to title VIII, the cooperative education portion of the Higher Education Act, I am particularly grateful, Senator, for your leadership role to reauthorize this provision of the bill.

Title VIII is an excellent program designed to stimulate the development of cooperative education programs in conjunction with public and private employers. Cooperative education projects provide students with work experiences that relate to their career objective while also providing earnings to help meet the costs of postsecondary education.

I would like to also add that cooperative education also is often the seed from which more substantial and elaborate public/private and public/public partnerships grow.

I would like to recommend that the Cooperative Education Program be extended and that the authorization of appropriations be increased during the years ahead.

I would also like to add that you consider extending the eligibility of the Cooperative Education Program to those students who are enrolled in 1-year curricula. At institutions such as ours, these students are not currently eligible to participate in the Cooperative Education Program, yet the merits and benefits to all of us of having them do so are essentially the same as all of the other cooperative education-eligible students.

Senator, I would like to express my appreciation for this opportunity to testify regarding the reauthorization of the act.

[The prepared statement of Dr. Buettner follows:]

TESTIMONY

on

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

before the

COMMITTEE ON LABOR AND HUMAN RESOURCES

by

David L. Buettner
Superintendent
The North Iowa Area Community College

Prepared with the Assistance of

THE JOINT COMMISSION ON FEDERAL RELATIONS

of the

ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

and the

AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Memorial Union
Iowa State University
Ames, Iowa

Mr. Chairman, members of the Committee, my name is David Buettner, and I am Superintendent of the North Iowa Area Community College. Today I speak to you on behalf of the institution which I head and the Iowa Association of Community College Trustees.

It is a privilege to be able to testify before this Committee about the reauthorization of the Higher Education Act and its significance to our state and its people.

The 15 institutions on whose behalf I speak to you today provide Pre-baccalaureate and Career education courses and programs throughout the state. These colleges now enroll about half of all those who go to college for the first time in Iowa.

Access to higher education has been a uniquely American dream, a dream recognized by the founders of our country, instilled in our children through the ages, encouraged by our leaders and particularly by the Congress, and nourished by a uniquely American institution, especially during the past 20 years -- the community college. So it is with pride in the institutions which I represent and with gratitude to the Congress that I am here to comment on the reauthorization of the Act which historically has contributed in so many ways to the realization of this uniquely American dream.

TITLE I

Much is heard these days in Washington and throughout the Nation about the need for cooperative partnerships. Community colleges have often spearheaded these partnerships in their local communities. My own institution is (as are many community colleges) involved in three kinds of partnerships: private/public, public/public, and partnerships within the educational community. We administer the regional Job Training Partnership Act program which is representative of the federal encouragement of private/public partnerships. And, through support from Iowa's unique statute, called the Iowa Jobs Training Program, our institution and many other community colleges in Iowa are providing start-up training or retraining for workers in businesses which want to locate or expand in Iowa. These partnerships are having a positive effect on Iowa's economy, on individual private corporations, and on the lives of individual workers.

Particularly beneficial to us have been our partnerships with other educational institutions. The cooperative Vocational/Technical training program with local high schools using a 2 + 2 organization, that is, two years of high school training plus two years of community college education; our donation of space to a private college, Buena Vista College, to extend college completion opportunities to our area; and articulation agreements with other colleges that allow our students to transfer in full all of the credits earned through our colleges are examples of that kind of cooperation. We are committed to the establishment of these partnerships with our community, and we will work aggressively to expand their numbers.

Expanding the provisions of Title I, Continuing Postsecondary Education Program and Planning, to provide incentives for the establishment and expansion of these locally and nationally beneficial partnerships could continue to do much to move these relationships from talk to implementation. We in the community colleges need the private sector's advice on curricula design and content; we need to respond to the private sector's specific and general workforce needs; we need the private sector's machinery, personnel, and facilities to help us with our training programs. In turn, we will continue our already significant contribution to these cooperative partnerships. The appropriate modification of Title I could make the flow of technology between industry and the classroom and laboratory a national partnership which will provide the impetus for the educational revolution which must lead us into the 21st century.

TITLE II

Title II, College and Research Library Assistance, and Library Training and Research, should be broadened in its focus to encourage and support the use of presently available and emerging media technologies throughout the learning process. The national explosion in the use of technology has impacted the libraries and media centers of the community, junior, and technical colleges, as well as the rest of our society. Institutions in Iowa, with financial assistance from the National Telecommunications and Information Administration, are building microwave telecommunication systems which will enable them to expand offerings, to increase community accessibility to higher education, and to increase cost effectiveness in educational programs and services. Unfortunately, the agency from which they have received financial support is not likely to provide similar future support to other community colleges because of policy and/or lack of appropriations.

There is a sizable need for federal dollars to support libraries that function as comprehensive learning resource centers and that are the backbone of postsecondary education. Most community, technical, and junior colleges are unable to keep up with the rapidly changing technology associated with learning systems or to maintain the quality of their learning resource centers and collections in the face of the soaring costs of equipment, software, books, and periodicals. A new Part D of Title II is proposed to meet these needs. Another great need and opportunity exists to which Title II could respond if policy and appropriations would permit. Funds currently funneled through the states by authority of the Library Services and Construction Act go mostly to the support of public and special purpose rather than college libraries, at least in Iowa. If funds were authorized and appropriated for Title II for the provision of automated systems for resource sharing, the community colleges could greatly expand their library and media resources by sharing the resources of the public libraries on a community, region, and statewide basis.

TITLE III

I recommend that a new Title III, Institutional Aid, be adopted in the reauthorization of the Higher Education Act. This Title should have three Parts:

1. Part A should provide grants to institutions to plan, develop, or implement activities which would strengthen the institutions. Institutions which still meet other eligibility requirements and which have received support from Title III for less than five years should be allowed to apply for additional Title III support.

2. Part B should provide for assistance to historically Black colleges alone.

3. Part C would renew the challenge/endowment grants program and should be changed to permit all institutions with general Title III eligibility to compete freely for such grants. The current evaluation procedure, which severely discriminates against colleges with large non-credit expenditures, like most community colleges, should be corrected. The current provision which, in effect, permits only recipients of support from the existing Parts A and and B to be eligible for challenge/endowment grants should be eliminated.

Title III as recommended here would target support more effectively on institutions whose development will do the most to stabilize and expand universal access to colleges and to those which serve the neediest populations. The community, technical, and junior colleges serve more Hispanic and Black students than all other segments of higher education combined. They also serve more working adults and disadvantaged students, and they provide more programs expressly tailored to the private sector's advanced and changing training needs than any other postsecondary system. Were these patterns as fairly weighed in the Title III awards as the Law's original purposes indicate they should be, these community, technical, and junior colleges would be receiving a greater share of Title III support than they are. In fact, I urge you and your colleagues to consider authorization language which would assure that these institutions receive fully proportional funding equity based on target populations served in both Parts A and C of this recommended new Title III.

The historically and traditionally Black colleges and universities have made enormous contributions to achieving equal opportunity through postseondary education for Black, low-income, and educationally disadvantaged Americans, an effort which has been endorsed by stated National Public Policy. But, these same institutions have not always received their fair share of federal resources through historical legislation and programs such as the Morrill Act of 1962, the Higher Education Act of 1965, and the award of other federal grants and contracts.

Renewal of the challenge/endowment grants program is vital to developing institutions. Developing colleges typically have a serious need for even modest amounts of "unrestricted" funds for programs that serve the academically and economically disadvantaged and that promote regional and local economic development. Title III challenge/endowment grants would provide the seed funds which would support these important initiatives.

There is another Title III matter which I should like to bring to the Committee's attention. The 1972 amendments directed the Education Department to employ three GS-super-grade executives with community college backgrounds. The Department has ignored this provision in the Law, and the Office of Postsecondary Programs continues to operate with a single senior executive who is fully grounded in community and technical college work.

TITLE IV

The organizations which I represent believe that the reauthorization of the Pell Grant Program should be based on the extension of current law. This position recognizes both the exceptional success of the current program and the fact that, with passage of the latest Budget Resolution, increases in Pell Grant support will be limited for at least three years.

Of primary importance is the restoration and maintenance of the purchasing power of the Pell Grant. Erosion of this purchasing power diminishes postsecondary educational access for the low-income student whom the program was meant to help.

There is an urgent need to simplify the whole student aid process and to establish annual timetables that improve both program efficiency and participation. The goals should be to reduce the paperwork burden for students, institutions, and the Department of Education, and to make the program more clearly understood and easily accessible to potential applicants.

Additionally, we should like to propose the following for the Committee's consideration:

1. Retain the current emphasis on need.
2. Extend the current provision of incremental increases in both the maximum grant and the percentage cap on allowable costs, until the maximum grant reaches $3,400 by FY 1991 and the cost cap reaches 70 percent when the maximum exceeds $2,600. The cost limitation should remain at 70 percent.

3. Add special provisions to meet the needs of adult learners by excluding home equity, unemployment compensation, ADC, and AFDC from the means test for Pell Grants eligibility -- and adding child care expenses to the cost-of-attendance calculations.

4. Extend eligibility to less-than-half-time students

5. Modify the cost-of-attendance criteria to reflect the real costs of commuter students. We recommend that the commuter allowance for students living off-campus but not with parents (currently $1,600) be comparable to current budgets for residential students. In addition, the living allowance for commuter students living with parents should be increased. This allowance, set at $1,100 in 1972, has not been adjusted since. If the limit were increased simply to reflect inflation, it would be $3,600.

6. Implement the Education Amendments of 1980, which addressed this inequity by allowing institutions to determine the cost-of-attendance for commuter students as they now do for residential students.

One last recommendation about Pell Grants. We have a particular problem in Iowa in relation to the displaced farmer and his dependents. Many of our farmers and their dependents are being forced "off the farm" because of insurmountable financial difficulties, and our community colleges are trying to help them find new occupational opportunities through training or retraining. These people need the benefits of the Pell Grants and other federal financial aid, but their eligibility is limited because of the eligibility formula. In determining eligibility, the untaxed portion of any capital gains received by the applicant is treated as income. So, the farmer who sells his land to pay his debts, no matter that he has no money left after doing so, is denied the grant benefits which he desperately needs.

It is our recommendation that the formula for eligibility be modified to discount this specific kind of capital gains income if it has been applied to debt reduction in some reasonable period of time. It should be noted that this same farmer is often denied access to Guaranteed Student Loan funds if he is in bankruptcy.

In addition to my comments on Pell Grants, I wish to recommend that all the other Title IV programs be extended by reauthorization as absolutely essential to the continuance of higher educational accessibility for millions of Americans.

TITLE V

The strengthening of elementary and secondary education inevitably centers on sharpening the skills of the teachers. Teacher training and certification traditionally have operated largely at the convenience of the providers - the institutions - rather than the participants. Through Title V reform, federal support should foster programs that promote greater accessibility, convenience, choice, and economy for the participants, and, thus, encourage teachers to give higher premium to advancing their professional skills. The programs should draw upon the exceptional teachers in community and technical colleges to work in consortia with university faculty, in order to make the training more accessible, convenient, and economical for teachers seeking pre-service and continuing advancement.

TITLE VI

Just as the economies of all nations are increasingly interdependent, international trade is indispensable to the American economy and to our productivity and prosperity. International trade accounts for 22 percent of the U.S. Gross National Product, compared with 11 percent in 1970, and 5 percent before 1940. The jobs of one out of every five Americans depend upon international trade. One out of every three acres of U.S. farmland produces items for export. By the year 2000, 12 of 13 minerals required for industrial operations will have to be imported. We ignore these facts at our own peril: to continue to lead the world, our colleges have to place more stress on programs that reveal the essence of other cultures. We must offer courses and programs designed to stimulate small and medium-sized businesses to trade thier goods and services abroad, vastly mutiply American fluency in foreign languages, and conduct programs that build upon the rich traditions of ethnic groups in the community. It is also important to infuse appropriate curricula with international materials, invite educators and business persons from other countries to share their perspectives in the communities, and create linkages with firms in the community that have international operations. These activities will provide opportunities for the general public to understand its connection with people across the world. At the same time, we have to be more aggressive in telling the world about ourselves, in eliminating negative and false impressions that other peoples have of us, and in sharing our know-how and our institutions for adaptation suitable to other countries.

Title VI, if reauthorized and funded adequately, can contribute significantly to meet these recognized needs, problems, and opportunities.

TITLE VIII

I am particularly gratified that Senator Chuck Grassley is leading the effort in the Senate to reauthorize and reform Title VIII, Cooperative Education, by the introduction of his Bill, S 1338, and I urge support of his Bill.

Title VIII is an excellent program designed to stimulate, through postsecondary institutions, the development of cooperative education programs in conjunction with public and private employers. Cooperative education projects provide students with work experiences that relate to their career objective while also providing earnings to help meet the costs of postsecondary education. Title VIII also contributes significantly to the establishment of public/private and public/public partnerships which can and do grow out of relationships established initially with support from Title VIII. We recommend that Title VIII be extended and that the authorization of appropriations be increased in five million dollar increments from $50 million in 1986 to $70 million in 1990. We also recommend that the cooperative education program be made available to certificate candidates in one (1) year curricula who carry at least one-half the normal full-time academic workload in an institution which provides a two-year program which is acceptable for full credit toward a bachelor's degree.

TITLE XI

Title XI, Urban Grant Univerity Program, is authorized, but unfunded. We recommend that the authorization be extended as a potentially significant resource for cities to deal with community problems. The title should be changed to emphasize cooperation between urban universities and community/technical colleges and coordination with programs administered by other agencies.

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There is another serious and urgent matter in which community colleges have a great interest, and that is the current and emerging needs and opportunities for the development of programs in the new technology areas. These include, but are not limited to, such fields as robotics, computer applications, microelectronics, laser technology, telecommunications, and bio-technology. We have spoken often to Senator Grassley and his staff regarding the serious need for facilities and equipment with which to prepare tomorrow's technicians, and the Senator has recognized the need. His response has taken the form of the Grassley-Gibbons Bill, which would make it easier for industry to give state-of-the-art equipment and instructional assistance to postsecondary technical training.

We believe that this need is and will be go great within the immediate future that additional consideration of federal support for technical education in the areas of program planning and implementation, teachers, and facilities and equipment should be given by this Committee in its deliberations on the reauthorization of the Higher Education Act.

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Mr. Chairman and members of the Committee, thank you for hearing these views on the reauthorization of the Higher Education Act.

Senator **Grassley**. Thank you. The way the cooperative education bill came out of the Senate, it does include provisions for 1-year students. In the House bill, which is, I assume, what you're referring to, it did make application. So there still is a chance that that could be accomplished.

Thank you. Dr. Drake.

Dr. **Drake**. Thank you very much, Senator Grassley.

I am pleased to have this opportunity to testify regarding reauthorization of the Higher Education Act. Today I appear before you as chairman of the Iowa Association of Independent Colleges and Universities; 27 colleges and universities which collectively educate a little over 36,000 students in a State where the number of private institutions places us No. 2 in America on a per capita basis. Since Iowa is one of only four States without a State college system, our colleges clearly fulfill a public function. Without these institutions, the State of Iowa would be forced to build and sustain several new campuses.

These independent colleges are well managed and increasingly they serve a population which extends beyond the traditional 18–21 year old student. They do so in many widely dispersed locations, making access relatively easy, especially in many of our smaller communities. These communities, I should add, are heavily dependent on the colleges for their financial and cultural well-being.

Independent liberal arts colleges are unique to American culture and they have contributed much to the creation and development of this Nation and, of course, this State. Their emphasis on undergraduate teaching, close association between teacher and students, small classes where basic skills of analysis, communication, and computation are developed, rich campus life, ease of participation in extracurricular activities and, for most, religious environment, are essential to the rich tradition of higher education in our republic.

Small scale and attention to high quality lead to the relatively high cost of these colleges. At Grinnell, where our annual comprehensive fee always has been about that of a medium-sized car, there are many reasons for increasing costs. However, one need look no further than our computer center where we employ 15 persons and have literally millions of dollars worth of equipment, to understand why costs have risen. Fifteen years ago, almost nothing was spent on computing at our college. The ever-increasing sophistication of scientific equipment and the necessity to compete with business and industry for the best-trained minds also contribute to rising costs. Addition of staff for women's athletics and an average cost of over $50 for a fully cataloged library book are further reasons for increasing costs.

Where once private colleges could rely exclusively on endowments and gifts to make up the difference between their costs and what they charge, they no longer can do so—especially as they now serve a much broader cross-section of our populace. I hope that you will appreciate that, because of Grinnell's high endowment, I am the only college president in this State, and one of the few in the Nation, who could appear before you without being accused of special pleading. Probably Grinnell could "go it alone" if Federal and State scholarships and loans were cut. In fact, we might even gain a competitive advantage. However, what would be good for a few affluent colleges would be a national disaster. We must sustain the gains of the past 30 years during which access to the wonderful variety of higher education has become much greater for all students. This certainly has been true in Iowa, which is very well served by its mix of universities, community colleges, and independent colleges.

I wish now specifically to address reauthorization of the Higher Education Act. In general, the Iowa Association of Independent Colleges and Universities supports the approach taken by the House bill and Senate subcommittee proposal. Above all, we applaud the effort to increase Pell grant maximum awards on a rising annual scale. It won't surprise you to hear of our preference for the Senate maximum of $2,400 for fiscal year 1987 over the $2,300 in the House bill. We also agree that these funds should be targeted on students from low-income families. In addition, concern to increase the relative weight of grants to loans is entirely valid, so long as Pell grant maximums grow. We agree that guaranteed student loans should be the last link in a need package; following grants, work, and other loans. Furthermore, guaranteed student loans shold only go to students with need. The suggested loan limits for both national direct student loans and guaranteed student loans in the Senate version are preferable to the House proposals. We also favor the Senate's suggestion that the nonprofit nature of work study be retained.

Repayment of loans obviously is an area of great concern. Consolidation of loans would be helpful and the House's call for deferment of loan repayment for elementary and secondary teachers, Peace Corps volunteers, and others is most welcome. We suggest that this provision also include college teachers, a group which has a sufficiently low income at beginning salaries for loan repayment to create a serious hardship. Because of their extensive graduate study, college teachers often have the highest possible total loan obligation.

Since the bill is long and complex, I will not further extend my commentary on specific sections. I have focused on student aid, but you can assume our support for such items as funding for libraries and facilities. We regard H.R. 3700 and the Senate version as a good bill, and we commend Congress for its hard work and concern to prevent further erosion of Federal support for higher education. This is a tough fight and we are deeply grateful for your support. We urge that Senate work on the reauthorization bill be completed by this summer so that the compromises with the House version can be worked out before the fall elections. It also is important that prospective students have confidence that Federal scholarship and loan programs will not be reduced. We want these students to know that they do have a choice among the great variety of American colleges and universities.

One final observation, and I guess this could come under the category of freedom of choice, for reasons given earlier in this testimony, Federal and State support for students who wish to enroll in private colleges is essential. This freedom of choice is important if our society is to derive the full benefits of our extraordinary array of private colleges and universities. In fact, additional moneys are needed, particularly for Pell grants, if we are not to waste the talents of many of our citizens. Where will the money come from? If the voracious maw of the defense budget can be muzzled and taxes on higher income persons raised, there can be additional education and human services dollars without damaging necessary efforts to curb the deficit. Huge sums spent for unnecessary and often unworkable military systems are the greatest waste in our society. Furthermore, it is wrong and unfair for a person at my own income level to pay less in taxes than I did 2 years ago, while low-income persons pay more. Tax fairly, asking those to pay who can afford to do so and cut rather than increase military spending and we will strengthen our society. Without strong education we will decline as a nation and without fairness we are not truly a democracy.

Thank you.

Senator GRASSLEY. Thank you, Dr. Drake.

Before I go to questions, I would only comment on your last paragraph. I would think that a necessary early decision for us, budgetwise, unrelated to your suggestion on tax increases, though, is whether or not we do allow a 3-percent real growth in the defense budget, which we didn't last year, which I don't think we will this year, which then will release money for not only the programs that you speak of, but a lot of other programs that the President has targeted for elimination. I think that will be an early decision. I would be surprised if it wasn't even easier to accomplish this year than last year. Last year it was on a very narrow vote of 51–48 in the Senate on an amendment I had. But I guess that I would expect that public support for the continued waste of defense dollars has not changed any. If anything, it is more favorable to our point of view.

I would also surmise that there is a good environment for some sort of a tax increase this year if there is a good-faith attempt on the expenditure side to change some things, not only in defense but other areas as well, and we'd still come up short of meeting the budget targets that we previously set.

So I appreciate your admonition and feel very comfortable with it.

Now, before I go to questions, the questions may seem as though they aren't things that you touched on in your testimony, but I think that's maybe all the more reason—and I wouldn't even suggest that they are central to the major issues which you addressed, but they are things that I would like to have views on.

I would also suggest that if I would ask something that you would find so far off the wall that you could not respond in the scholarly manner that you are used to, right now, we would encourage you to submit a written response. So you do not need to feel uncomfortable if it is something that you cannot express right at this moment.

And I guess, too, except for maybe one question that maybe two of you might not have a view on, but even including that one, I would like to have all of you address each one of these questions. They are not particularly addressed to any one of you, or in any particular order.

Currently there are no uniform academic performance standards linked to the receipt of financial aid. The Senate included a provision in its bill which requires a student to maintain a C average to continue to receive aid. So what I would like from you is your judgment, both personal and for your organizations, whether or not you support or oppose this provision, and why.

Dr. **Freedman**. I get a little concerned, Senator, where there is any strict provision of a C average as opposed, for example, to a requirement that may achieve the same thing: That a student remain in good academic standing by whatever the institution's criteria for judging that are.

I think it is appropriate for the Senate to be concerned that students receiving financial aid remain in good academic standing, but I think what constitutes good academic standing may be a little above a C or a little below a C at a particular institution, and it might be better to key it to the institution's standards than a prescribed single standard. But I think the general thrust of it and the general concept of it is fully appropriate.

Dr. **Buettner**. Senator, I'd like to agree with that view. Our particular institution has a standards of progress requirement that is somewhat more liberal at the outset, but becomes somewhat more demanding by the time the students approach the end of their second year of study with us. I use that as an illustration to what extent we are in agreement with the concept that standards of progress requirements be included in any financial aid agreement with students. However, I share Dr. Freedman's view that there are often difficulties that arise any time such a simplistic type of requirement is applied by the Congress. It seems to me that there might be some policy direction approaches possible to include in the budget, and still provide ample motivation to the individual institutions to set these kinds of practices to achieve the desired end.

Dr. **Drake**. I will be yet another voice in agreement with accepting the institution's standard for proper academic progress. I suppose the special dimension from the point of view of the independent sector is that institutions vary in mission and purpose with respect to whether they are highly selective of students that are admitted or not.

So that a C average at one institution might be much more difficult to earn than a C average at another institution. Rather than have a national program and trying to administer it fairly on a national basis, I think it is much better to accept the standards of proper academic progress as set by the institutions.

Senator **Grassley**. OK. Then let me ask a followup of where both Dr Freedman and Dr. Drake left off.

We did have, in regard to institutions themselves enforcing their own appropriate standards, we did have the General Accounting Office look into that, and there was a feeling that there was not an enforcing by institutions of their own standards.

So, first of all, I guess I would ask—maybe you take exception to what the General Accounting Office said, and I hope I did a proper service in my summation of it. If you would agree, though, that that is a problem, what we might look at as an alternative to Congress's reaction, being a very rigid rule as opposed to maybe if we agreed with you that there would be proper enforcement of university standards so you would have more flexibility then.

Dr. **Freedman**. I am not sure, Senator, that I am familiar enough with the enforcement process to comment sensibly on that; I am sorry.

Senator **Grassley**. OK. Well, I guess it is this simple, as far as the General Accounting Office is concerned—and I will defer to Staff if need be—that they would look at enough enforcement of the institution's standards that they continue to qualify for the particular Federal aid programs, and that they found that universities were lax if a student came up short and still continued to get the Federal aid. Then the Congress set the standard of a C average. So it really boils down to how do we, if we don't go with the rigid standard that Congress has set, how do we improve and get better enforcement of the universities' own standards?

Dr. **Freedman**. I understand, I think, now, better, the question. I could well imagine many instances in which a student fell below a C average, but met the university's standards of remaining in good standing, or perhaps was in a probationary status or a term of testing—one final chance, or whatever. Those, I think are important. Preserving that flexibility I think is important.

Whether there will be some system by which universities or colleges can certify to the GAO that this is our system for remaining in good academic standing, as against this, that we will test our own provision of aid and deny it to anyone who doesn't meet that, whether that would be satisfactory, I do not know.

Senator **Grassley**. Do any of you have any followup—supplementing anything Dr. Freedman said, but still referring to my followup question?

Dr. **Drake**. I have a notion. I really hesitate to advance it, because, as with Dr. Freedman, I'm not familiar enough with the actual workings of the system, but with respect to recovery of loans, bad debts, a system which has been developed which penalizes institutions if in fact the default rate is too high, it's conceivable—and I'm not very much for this sort of regulation, but it is conceivable. Looking at it from your point of view as to what would be an alternative approach, that, as Dr. Freedman indicated, if a proposal were submitted as to what constitutes good standing in the university, and then these spot checks were made and the university was found not to be enforcing their own rules, that there could be a penalty against campus-based funds.

Dr. **Buettner**. Senator, I just would like to add that I think our relationship with the Federal Government is probably filled with situations where we make such certifications of various kinds. Like Dr. Drake, I am hesitant to go on the record to say I am in favor of additional such certifications and investigations, but I think in fair exchange for the magnitude of financial aid that does come to our institutions that it is a fair expectation.

I see little problem with us presenting our standards of progress policies and issuing an assurance to both ourselves and the Federal Government that we will implement those policies.

Senator **Grassley**. Maybe at this point—I accept your responses, but if you want to submit something further in writing—it isn't necessary, but I guess I would just leave with you that probably

Congress feels frustrated and proposes the C average mark as a standard, not disagreeing with self-regulation, but probably preferring that to finding it coming up short and maybe doing this out of frustration.

Now, on the other hand, even with Congress's response and that sort of standard, opponents of that would say—and you did not say this, but I would like your response—"So you might set a C average, and that might result in what we would refer to as grade inflation," would you agree that that could happen and maybe it would not really accomplish its goal?

Dr. **Freedman**. I hope it would not happen, but I think inevitably in teacher/student relationships, that teachers are affected by that. There are already eligibility requirements for all kinds of things that turn upon a C average or a B average, or whatever. Indeed, getting into graduate school turns upon, obviously, getting high grades of one kind or another. Teachers are aware of that. Students make teachers aware of that. And those pressures are on teachers already. I think they are fair in how they give out grades, and probably would be in this area too. But it is a subtle area of pressure.

Senator **Grassley**. Do you have anything to add to that?

Dr. **Drake**. I would agree with that, as well, particularly when it is an issue of will the student be able to remain in school or not, then one's compassion for a student might override one's objectivity.

Dr. **Buettner**. Senator, I would just point out that I think the very issue that was raised here is really the heart of the matter. Obviously a C average seems reasonable on the surface, but it does at some point hinge on the student's ability to stay in school. I would say that for the same reason that teachers may feel the subtle pressures that we speak of, we, as educators and you, as a policymaker, really need to give some thought to trying to discriminate between those students who have bona fide abuses in their record or in their history of financial aid and grade performance, and those students that perhaps are struggling and perhaps do represent a salvageable graduate.

Senator **Grassley**. My next question might be more appropriate for Dr. Freedman, because it might only affect really large institutions, but I do not want to preclude other people.

The House bill has a provision to require a public disclosure by educational institutions of gifts from foreign entities, as well as disclosure of any condition attached to the use of such gifts. Do you have any thoughts on the appropriateness of such a provision?

Dr. **Freedman**. That is doubtless prompted by a number of well-publicized cases in the last several years of foreign gifts that had what I think many of us would regard as inappropriate conditions attached to them, conditions under which the university, in order to get the resources, gave up or sacrificed a certain amount of the academic freedom that it should have reserved, as to who would be appointed to the chair, how the selection would be made, whether the outside donor would have a say in that. All of those things I think are inappropriate. I would hope that the internal processes of the universities would be strong enough to resist those.

One of the concerns I would have with the disclosure is that many donors, particularly private donors, want to remain anonymous. To the extent that a gift would be made by a foreign subsidiary company, for example, of an American company, that donor may well wish to remain anonymous. To require a public disclosure may well discourage that gift.

Senator **Grassley**. So then basically you are in agreement with the provision in the House bill. You do not find too much fault with it? Or did I misinterpret your response?

Dr. **Freedman**. I would prefer to rely upon the integrity of the institutions in terms of inappropriate conditions. I think foreign governments may be different than foreign corporations, and I could well understand if the Congress had a concern about foreign governments conducting their foreign policy in some part through gifts to American universities. Maybe you ought to draw a line differing between gifts by foreign corporations and individuals, and gifts by foreign governments.

Dr. **Drake**. Senator, I do have a view on this, just because in the independent sector we are so dependent upon gifts. There are few of our institutions, if any, I can think of, that do receive gifts from foreign entities. But our concern would be the precedent. I doubt that foreign gifts would be much of a problem with the smaller institutions. I don't foresee that as a problem before us. But once there are precedents about disclosure, that is of great concern to me. As President Freedman indicated, it's remarkable the number of donors who wish to remain anonymous, oftentimes for reasons simply of modesty. There are other reasons as well. And it would complicate fundraising efforts considerably if there were forced disclosures.

Senator **Grassley**. Thank you.

The next question Dr. Buettner did touch on in his comments. He may want to expand on it. But I would also like to hear from Dr. Freedman and Dr. Drake. This refers to the House and Senate bill allowing, for the first time, that students attending less than half time would be allowed to receive aid under the campus-based title IV programs. Will this help open up doors to needy students at your institutions that in the past have found it impossible to attend college because they didn't meet the half-time requirements?

Dr. **Buettner**. Senator, as I indicated earlier, this is a critical area as far as the community and junior technical colleges around the country. We face a steady situation, a very constant and substantial situation, where people who desperately need to receive training upgrading in a variety of areas, either to protect their employment or perhaps regain their employment, are simply not able to afford to enter our institutions. The dollars and cents are oftentimes of different magnitude than attending school on a full-time basis, and it is unfortunate that sometimes those smaller numbers of dollars lead us to be less concerned about it.

The displaced homemaker or, for that matter, the displaced worker in general, who is either about to be displaced or is displaced; often has family to support; and must take some type of immediate or emergency-nature employment; even though they may be clearly unable to sustain their lifestyle or their family on that type of income. The answer for many is that they need to be back in school to regain the footing that they once had. In many instances these individuals are simply disenfranchised. In many cases we are simply not able to meet their needs because of the unavailability of the recovery financial support.

I feel that this is a particularly important issue for so many of these types of people that do not fit the model of the traditional student.

Dr. **FREEDMAN**. I share Dr. Buettner's view. I think that indeed it is the very seriousness of this generation of college students that so many people comment upon, or even deplore, it seems to me the greatest guarantor that part-time students are going to devote themselves effectively to their studies. We have more students now pursuing part-time studies as a result of the economic recession and their own need to work a greater proportion of their time than they would like than we've had before. And it seems to me that those are serious students, even though they are not full-time students. And many of them, of course, are women who are trying to gain new skills, train themselves for new professional opportunities, but will have to do it on a part-time basis because they are raising families at the same time.

So I think that is a very sound public policy, Senator.

Dr. **DRAKE**. I would agree as well from the point of view of the independent sector. As I pointed out in my testimony, independent colleges have changed dramatically over the last 15–20 years. At the beginning of that period most of our colleges served almost exclusively the 18–21-year-old population. Now, I couldn't give you the exact percentages of adult learners and part-time students in most of our colleges, but it is significant and it is a growing percentage. So where once that would not have been a matter of great concern to the independent sector—that is to say, the provision to fund more part-time students—it is now a matter of great concern, and we would appreciate that change.

[Information supplied follows:]

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February 11, 1986

Ms. Sara Thomasson
Office of Senator Grassley
135 Hart Office Building
Washington, D.C. 20510

Dear Sara:

I hope that you will relay my thanks to Senator Grassley for having given me an opportunity to testify on behalf of the independent colleges. He did a fine job of putting us at our ease and I appreciated both the nature and spirit of his questions.

I want to correct one aspect of my testimony. I don't believe that I represented the independent colleges accurately when I indicated that we would support the lowering of the half-cost provision for Pell Grants. Though this is a good idea as a general proposition, our support of it would depend on increased allocations to Pell Grants. Since most of the part-time students in independent colleges attend on at least a half-time basis, the lowering of that threshold would disadvantage students who attend private institutions because the pool of Pell-Grant funds would be diluted. We could support that dilution if the total pool were to increase, but if it remains as currently suggested, we know that our students would be disadvantaged.

I am sorry that I misspoke during oral testimony and I appreciate this opportunity to correct my error.

I will stop in to see you and Senator Grassley when I am in Washington in April.

Sincerely,

George

George A. Drake
President

GD:hw

Hartung
Wilbur Miller

Senator **Grassley**. Do you support the increase in the Guaranteed Student Loan limit for graduate and undergraduate students? Now, just in case that seems like I would be begging an obvious response from you, though, I would like to have you think of that in terms of reconciling the need with the rising cost of education, with what parents as well as educators express as concern about adding to the great indebtedness of those students and the load they have after they leave college.

Dr. **Freedman**. I thought, Senator, when you emphasized in your statement the words "access and choice," you went very far to give what I hope is the right answer to that question; that access and choice are so important for students, that if increasing these loans will help to increase their access and increase their range of choices—it obviously will—that is the way we ought to go.

Senator **Grassley**. So that would be an appropriate tradeoff from the concern over indebtedness?

Dr. **Freedman**. I think it would. All of these people enhance their financial earning capacity by getting more education. If their indebtedness extends another 2 years, 3 years, or 5 years, that seems to me, in the span of a lifetime, an acceptable tradeoff.

Dr. **Drake**. I'm ambivalent. That's my personal reaction. I think our association would not be ambivalent. I think it would support those loan increases, for reasons that Dr. Freedman indicated. Of course, in a better world, easier world to deal with, we would prefer to have the increase in Pell grants rather than in loans. But we are dealing with reality and not ideals here.

The buildup of debt is an important problem. I once heard a commentary from a college president, who is not an American national; he was born and brought up in Australia and hence would have more objectivity to lend to this, who said that by graduating students with heavy debt, we were graduating persons who would be unwilling to take risks, because debtors don't take risks, and that would have a damaging effect on our society.

That's a concern, and I think we ought to be mindful of it. And one of the ways of dealing with it, I think, is contained in the bill. That is to say, for persons who enter professions that are predominantly service professions, low-income professions, there should be provisions for extension of payments—not for forgiveness; this is a loan program, after all—but for extension of payments to allow these persons to meet their obligations.

Not long ago I asked one of our assistant professors at the college, a beginning teacher, to give me his monthly budget of the fixed obligations that he had, against his take-home pay. And I am ashamed to say that the margin between fixed obligations and the amount of pay was very, very narrow. In fact, my judgment was that that person really could not live any sort of comfortable existence without a second income in the family. This was a beginning teacher with a reasonable salary according to the way colleges pay.

One of the surprising things to me, as a part of another generation, was that that person had a $200 loan repayment obligation each month. That's something that many of us from previous generations simply did not face when we began.

So that's just an illustration of the way that that burden does press in on people, particularly who enter low-income professions.

It's a long response, because I am ambivalent. But I think that in the absence of greater Pell grant and SEOG moneys, probably these loan limits ought to be increased in order to allow access. But we should be mindful that we are drawing some people into a trap.

Senator **Grassley**. It is more appropriate to the next panel, but I will state it now because you brought up about the need for extension and consolidation, and I think the Senate is going to deal with that positively yet this year, on that subject.

Dr. Buettner, you didn't have anything on that point.

The last one, I kind of want reaction to Gramm-Rudman, but before I ask the question I guess I ought to give a point of view of how I see Gramm-Rudman, as a shotgun behind the door if Congress does its job of setting priorities, or in the instance of reacting to the President, reprioritizing his budget. But I don't like to look at it that way. I like to look at the Congress doing its job; not reacting to anybody, but setting their own policies. If we set policy and if, through the budget resolution and through the appropriations process, we do our job, then Gramm-Rudman isn't even an issue. If we don't, then that's a sad commentary, that with the crisis we have we don't act as we should as representatives of the people in fulfilling a constitutional responsibility, then it does. And we might not act if it weren't there. That's just a fact of political life in Washington, that we haven't been dealing with the budgets. We haven't even operated this government on a budget and on appropriation bills in the last 6 years. There's always been a great deal of it through continuing resolution.

So I would hope that with the bipartisan consensus—and it was really a bipartisan consensus that was behind Gramm-Rudman—that Congress will follow that commitment and Gramm-Rudman will be null and void in the sense of its withering away by unuse.

But for your part, and from your positions as presidents of Iowa's institutions and speaking for a larger constituency, I know that you are concerned about Gramm-Rudman and how it may shape the Federal higher education policy more than this reauthorization bill that this hearing is about. So I would like to have your thoughts on the potential effects of Gramm-Rudman, if it relates to these programs in your institutions, and both in light of Congress acting, which would disregard Gramm-Rudman or if Congress does not act and if there were sequestering, how you would see that happening. And I say that even in light of the fact that the courts declared one small part of it unconstitutional. But remember that even if the President does not sequester, there is still the backup of Congress on an up or down vote, one vote establishing those same—or carrying out the same effect that sequestering would have. Whether we did it or not would be another thing. I guess I would express my doubts we might get that far, based on the past. On the other hand, based on a commitment that was made before Christmas when we adjourned and Gramm-Rudman passed, I would think we would have a moral obligation to carry it out.

Dr. **Freedman**. Well, to begin, Senator, there obviously is no question of the profound impact that Gramm-Rudman is going to have on higher education in this country if Gramm-Rudman remains in effect and is carried out across the board. We anticipate at the University of Iowa that we will lose on the academic side approximately $4 million next year. Reimbursement for our university hospitals will have losses that go beyond that $4 million. That figure, we are not entirely clear on. Those are serious losses, because they come primarily in the research area, in areas particularly governed by the National Institutes of Health, for example, research that has helped make our College of Medicine such a strong college.

You can multiply that across the country.

What concerns me most about Gramm-Rudman is not the effort to contain expenses, which I think all Americans appreciate, but the across-the-board nature. And the scenario that you described, in which Congress would in fact look and make the cuts itself, after hearing testimony from a great many people but would bite the bullet and make some hard choices—that means that the universities in the country would have an opportunity to come before committees such as this and try to make a case for the importance of biomedical research, the importance of international understanding, the importance of foreign language training, of all these various programs that will be cut back, some of which seems to me clearly to have a higher national priority than a great many other programs which, even after Gramm-Rudman, would continue at a certain level.

What I would much prefer is that Congress make those value choices, weigh the various competing claims, cut some things more than Gramm-Rudman cuts them, preserve some things from the impact that Gramm-Rudman will have. Also I think Gramm-Rudman takes from the universities—takes from every constituency, obviously—but takes from the universities at a particularly important time in our national history, the capacity, the opportunity to make the cases for a number of the most central and important things we do which have great relevance to the national interest in building the strength of this country: strength of foreign language capacity, strength of research capacity. And if Congress were not to accept Gramm-Rudman, but accept the outer limits of Gramm-Rudman and then make the decisions itself, I think it would be far better advised to do that.

Senator **GRASSLEY**. And that's my desire. That would also work in with what I said about the reprioritizing, by taking the real growth out of the Defense budget.

Dr. Buettner.

Dr. **BUETTNER**. Senator, I would like to add, from just an informal and lay analysis of the impacts of Gramm-Rudman on our own region and institution, the impact is obviously going to be very profound if it is carried out.

Having said that, let me also say that, perhaps reacting more as an individual citizen than the head of an institution, I guess I would prefer not to be a part of a simple and somewhat mindless effort to argue an exclusion of our particular programs and services from the effects of such a program. Instead, let me just say this. It seems like in every crisis or in every downturn of circumstance there are opportunities. If you look around the country right now, perhaps the boldness of the economy might lead one to overlook the possibility of us being in a crisis or a downturn. But certainly from here in Iowa it is not hard to recognize that things are not so strong and positive as they need to be in many ways. The smokestack industry, the information age, the impact of international markets on our country, are certainly crises of proportion, in my mind.

If we are in such a crisis or downturn it seems to me that history has taught us that it is time to be visionary and to make investments, and investments that Dr. Freedman speaks of seem particularly appropriate. Education as a whole seems particularly important.

Painful as it might be, when the family budget is strapped, to make investments in education, it seems to me to be a very bold and wise choice of action.

I would suggest that the Gramm-Rudman approach is most frustrating, if only because, as you indicated, it is a sad commentary on our ability to deal realistically with a very, very substantial problem. The somewhat mindless approach to it, if it is not, in fact, a catalyst, and becomes the action itself, is really quite threatening and damaging.

But does that outweigh the potential negative effects of an uncontrolled deficit? I don't know.

I have tried to restrain myself from my own thoughts of a selfish nature, realizing that perhaps the problem is that so many of us in the country, because of the seeming invincibility of the deficit problem, that we fail or refuse to recognize the serious implications of the deficit.

So if I could summarize, I would simply say that I agree that if the Gramm-Rudman resolution turns out to have a catalytic effect on Congress's ability to deal with the deficit problem, then obviously it is a very wise and positive tool. If it is not effective in that way and becomes the action itself, then I guess I am simply admitting my inability to judge whether it is better than the implications of an uncontrolled deficit.

Dr. **Drake**. If there were no alternative for finding ways of balancing the budget or moving toward a balanced budget, I might feel differently. But it does seem to me that, with respect to what I commented on in my testimony and with respect to your response—and I know of the work that you have done on this issue over the last few years—that in reduction of military spending we can make reductions that will not hurt this country—in some ways maybe benefit it, in the interest of supporting those things which are most important to our future. Among those things are education and human services.

I am an historian, so I tend to look back at our own national history and the history of other countries, and I do not think there is any question but that one of the major sources of the strength of this country has been its educational system. In many respects we have the best educational system in the world, if we are talking about trying to educate people broadly in a democracy, and it is an educational system which has, by and large, continued to grow. But in the last 10 to 15 years I'm not certain but what it is in decline. It certainly is not gaining in the way it did in the past. And our future as a country, in economic development, in cultural development, in spiritual development, it seems to me depends very heavily on the education of all of our citizens.

We have such a wonderful variety of institutions, designed to meet different educational needs, and it would be a shame to curtail any one of those sectors. And speaking on behalf of the independent sector, this is a delicately poised sector, at least with respect to many of the institutions within it. And it is simply true that many of our colleges have become dependent upon funds which go to students from State government and from the Federal Government, and if anything seriously happened to curtail those funds, many of our institutions would not survive. They are dependent on the assistance that is given to students which gives those students freedom of choice and allows the students to meet the added cost of independent education. So we are talking here about cuts that could severely damage at least one of the sectors—or it could damage all of our sectors, but it will simply eliminate some institutions within the independent sector.

Senator **Grassley**. I have completed my questioning. I want to thank each of you. Particularly I want to recognize that I know that each of you have very busy schedules, and to take time out not only to represent your own institutions, but to be a spokesperson for the organizations of which you have a larger constituency, I appreciate very much. The Committee appreciates your testimony, and I especially appreciate an Iowa reflection upon the problems that we face as we reauthorize this, particularly because of the unique set of unfavorable economic circumstances within our State.

So I want to excuse you now. I know you are busy and I know probably some of you will have to go, but I want you to know also that you are welcome to stay and listen to other people from other segments and other points of view on this subject.

Thank you very much.

I would call, and ask them to come while introducing them, and all sit at the table simultaneously. It would be the second panel, and the first person is Mr. Jerome Sullivan, president of the Iowa Association of Student Financial Aid Administrators. The second person is Mr. Robert Phipps, who is chairman of the Iowa College Aid Commission. The third person is Mr. Ed Cunningham, executive director of the Iowa Student Loan Liquidity Corp. The fourth person is Ms. Patricia Von Ahsen—and I hope I have pronounced that correctly. She is assistant vice president of the Merchants National Bank And Mr. Mark Heffron, who is assistant vice president, American College Testing.

So just as soon as everybody is seated, then I would ask that you proceed in the same manner as the presidents did. I will receive each of your testimonies and then will proceed to questioning all of you at the end.

So would you proceed, Jerry?

STATEMENT OF JEROME SULLIVAN, PRESIDENT, IOWA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS; ROBERT PHIPPS, CHAIRMAN, IOWA COLLEGE AID COMMISSION; ED CUNNINGHAM, EXECUTIVE DIRECTOR, IOWA STUDENT LOAN LIQUIDITY CORP.; PATRICIA VON AHSEN, ASSISTANT VICE PRESIDENT, MERCHANTS NATIONAL BANK; AND MARK HEFFRON, ASSISTANT VICE PRESIDENT, AMERICAN COLLEGE TESTING

Mr. SULLIVAN. Senator Grassley, I am the director of Student Financial Aid at Iowa State University, as well as the 1985-86 president of the Iowa Association of Student Financial Aid Administrators. I appreciate the opportunity to appear before you today to attempt to represent the views of student financial aid administrators in this State concerning the reauthorization of the Higher Education Act of 1965.

I am going to skip much of my introductory remarks that are in my written testimony, and move directly to specific comments about the Senate Subcommittee proposal itself.

Subpart I, section 101 B, restricts Pell grant eligibility to students from families with incomes of $30,000 or less after subtracting State and Federal income taxes. We support this proposal and would support a similar provision for the three campus-based programs, SEOG, College Work-Study and National Direct Student Loans. We would suggest the level of income be increased by some appropriate amount annually through 1991, such as 5 percent or by some measure of inflation. We would also recommend that provisions for adjustments be made for exceptionally large families or for when more than one child is attending a postsecondary institution.

We would also suggest that there are probably better measures of financial strength than the $30,000 income level. If we just take it as a concept though, an average wage earner family of four, earning about $30,000 a year, is a reasonable level to stop support. There just are different ways of getting at a cut off point that we think might be better.

Subpart I, section 102, provides for new maximum Pell grant levels. We support the new maximum grant levels and the new per centum of the cost of attendance, but we are concerned that in at least the early years, appropriation levels will not be sfficient to fund them and the provisions in the law for a linear reduction will come into effect.

Pell grants are combined with other funds in aid packages before awards are made to students. Linear reductions radically revises the Pell awards for large numbers of students, severely disturbing the carefully constructed aid packages designed to optimize available funds to students. Continuing resolutions are apt to make the decision to resort to linear reduction occur at a very late date in the award cycle.

We would recommend that if sufficient funds have not been appropriated at an early date in the cycle, the maximum amount be limited to preceding year maximums in descending order, such as $3,200, $3,000, $2,800, et cetera, until reaching the 1985-86 year's maximum of $2,100 and 50 percent of cost of education, or until appropriations are sufficient to meet the cost of the maximum level. Linear reduction should not be used unless the appropriation is not sufficient to meet the 1985-86 maximum level.

Campus aid administrators continue to support the elimination of the central Pell processor. The centralized Pell Grant delivery process involving student aid reports continues to be the single most confusing element to students and families in the aid application process. It has been estimated that the elimination of the central processor could save the government up to $30 million annually, and the only thing that would be lost is red tape and confusion.

Independent need analysis agencies provide campuses now with accurate Pell index numbers and all the raw data necessary to recompute if some of the elements change. I believe that section 105 in the Senate proposal is attempting to take a step in that direction by providing the campus administrators authority to make changes and corrections to the Pell index, but the language is unclear and the committee needs to go further and rely upon the delivery system used successfully by the campus-based programs now, to deliver Pell Grants in the future.

Subpart 2, part C and D, refer to the so-called campus-based programs—Supplemental Educational Opportunity Grants, College Work-Study Program, and national direct student loans. The proposal treats these programs basically alike, and we generally support the provisions for these important programs. The provision to increase the interest from 5 percent to 7 percent for the direct loan is reasonable and will assist with the collections and maintain the revolving funds built up over the years. The increase in the amount that can be loaned annually will allow us to use this less expensive loan more appropriately in high-need cases. Because of the revolving nature of the direct loans, a strong case can be made that in the long run it is the more economical of the two major loan programs. Iowa State University has loaned approximately $2 million annually over the last several years, all from the repayment of previous loans. Every time these dollars are reloaned, the cost to the taxpayers for each dollar loaned goes down. The incentives to manage these dollars wisely are strong, since they are a scarce resource that has the potential of being available into an unlimited future. Unfortunately, the formula to allocate these funds works to the disadvantage of those who have husbanded them carefully and worked hard to collect them after they have been loaned.

The elimination of the State allotment formula for all three campus-based programs will do a great deal to simplify the administration of these programs and allow the funds to move to where they are needed most. The provision to lock institutional funding at 1985 levels really locks them at levels reached in the 1970's. The institutional allocation formula is fair. It should be allowed to function by reducing the guaranteed level to 80 percent of what it was in 1979 and then continue to reduce the guarantee 20 percent a year. Funds would shift to the students who need them most. The only change we would recommend is the elimination of the penalty in effect for collection of old loans when allocating new funds. Currently 90 percent of collectable funds are used as an offset against new allocations.

Over 97 percent of former Iowa State University student Guaranteed Student Loan borrowers are repaying their loans on time. Approximately 95 percent of all former student borrowers in the State of Iowa are repaying their loans on time Despite this record by borrowers, the current Federal administration has been able to create an image in the general public's mind of defaults run rampant.

In 1985–86, in order to attend Iowa State University, a low-income nonresident student is likely to borrow $3,500 a year, $2,500 of which is a guaranteed student loan. A low-income student graduating in the class of 1988 is likely to leave Iowa State University with a cumulative debt of $14,000, and it is likely that he or she will have to devote 15 to 20 percent of their take-home pay to educational debt retirement. If they were to become a school teacher, it would approach 30 percent.

Therefore, we support efforts to provide for loan consolidation and extension of terms. The need for loan consolidation is especially clear in the case of veterinary medicine students at Iowa State, some of whom have graduated owing $25,000 in Guaranteed Student Loans; $20,000 in Health Profession loans and $7,000 in National Direct Student loans, and must make minimum payments separately on all three loans. Many of them were counting on the Student Loan Marketing Association's Program, OPTIONS, to partially consolidate and extend repayment, but failure to extend the OPTIONS Program legislation in 1983 has left the last two graduating classes struggling to repay. The increase in debt levels experienced by students currently in school makes loan consolidation and terms extension necessary to avert a collection crisis. We support the consolidation language in H.R. 3700 which provides for higher interest in the outlying years, to keep costs under control.

We are concerned that the proposed increase in the guaranteed student loan limits will lead to unacceptable levels of indebtedness, increased defaults, and increased program costs which will unbalance the student aid system by limiting grants and employment opportunities.

Section 153 increases the loan limits from $2,500 to $3,000 for the first 2 years of undergraduate education, and from $2,500 to $4,000 for years after successfully completing 2 years. We would prefer the first 2 years remain at $2,500 and that the remaining undergraduate years be increased to $3,000. Further, costs in the GSL Program will threaten the other important aid programs.

Several recent studies have indicated that most of those persons who are not repaying their loans left school without completing the first year of school. Many studies over the years have indicated that 50 percent of those who drop out of school do so in the first year. It would seem clear that increasing loan limits before a student has demonstrated his or her ability to be successful in school would not be in anyone's best interest.

For the same reason we support copayable checks and multiple disbursals of loan proceeds. Existing language in the current law and regulations make multiple disbursals difficult to administer, however. Specifically, it requires that one-third of a loan period must pass before disbursal of the first check and before the disbursal of the second check. We learned at Iowa State this year that this can create difficulties when a student's loan period is from August to May, but the student receives the first check in December and the fee for the second semester is due in January, and then the check for the second part of the guaranteed student loan comes in March, obviously not at an appropriate time. Language needs to be added to provide for disbursal at the time the school term fee is due.

Section 433 of the existing law makes it difficult for institutions to become lenders. We would support not only the elimination of this restrictive language, but also the inclusion of incentives for schools to become lenders. An institutional Guaranteed Student Loan Program could become the incubator for an endowed pool of loan funds raised from gifts and interest earned on earlier loans. These funds are apt to be managed very carefully, for they represent again a future resource. We would suggest keeping the Federal interest subsidy payment at 3.5 percent for institutional lenders if all earnings are returned to a revolving loan fund.

The Guaranteed Student Loan Program is not as efficient administratively as it might be. As the Federal Government reduces administrative fees and special allowances it should also consider rule changes that would make it less expensive to administer. Electric transfer of funds and line of credit proposals are two such administrative changes that improve service to borrowers and reduce costs to schools and lenders.

We also support the increase of interest rates from 8 to 10 percent. At the same time we would support a change in the use of the 5-percent surcharge from an interest offset to a one-time insurance fee, the use of which would be restricted to a reserve for and the payment of defaulted loans.

We are in favor of competition among guarantee agencies within States. It has led to better service for students.

We are concerned that the proposal to simplify the need analysis system by combining it with the Pell grant and guaranteed student loan rules of eligibility will result in the loss of a good measure of family financial strength as well as the loss of good rules of program eligibility.

Part F provides for a single need analysis formula for CWSP, SEOG, NDSL, and GSL. Although we appreciate the fact that the Senate has not included the Pell grant in this formula as H.R. 3700 does, we would prefer that the Guaranteed Student Loan Program also be left with its own rules of eligibility. Although we are in favor of a needs test for the guaranteed student loan, we prefer the existing one which does not include assets, which is an important consideration for Iowa's farm families.

The subcommittee recommends a master calendar for the aid cycle. We strongly recommend such a provision. Serious delays have been experienced in the past, leaving students with no information concerning what level of support to expect and schools with increased labor costs as they attempted to make up for lost time.

The subcommittee recommends allowing institutions to make individual need analysis adjustments. We strongly support this provision, but prefer the language in H.R. 3700, which is somewhat more flexible.

We support the new criteria defining satisfactory academic progress. We feel that it will contribute to the already strong public support for student financial aid, and maybe during questions we can speak a little more about that.

We support the provisions of a simplified need analysis system for families earning less than $15,000 a year.

We support the provisions for a new definition of an independent student. Although our experience at Iowa State indicates it will have little impact, it appears to have become a matter of public concern, which could be eased by this adjustment.

Again, I thank you, Senator Grassley, for the opportunity to appear at this hearing, and sincerely look forward to providing you with any assistance that I can as this process of reauthorization continues.

[The prepared statement of Mr. Sullivan follows:]

STATEMENT BY JERRY SULLIVAN

Senator Grassley, my name is Jerry Sullivan. I am the Director of Student Financial Aid at Iowa State University and I am the 1985-86 President of the Iowa Association of Student Financial Aid Administrators. I appreciate the opportunity to appear before you today to attempt to represent the views of student financial aid administrators in this state concerning the reauthorization of the Higher Education Act of 1965.

Those of us who spend our days attempting to turn student aid programs into personal educational opportunity have a few simple beliefs in which we ground our efforts.

We believe that since the early 1960s a bipartisan consensus has emerged that for many of our society's fundamental goals to be reached individuals need to be guaranteed access to postsecondary education regardless of income, race, national origin, sex or physical handicaps.

We believe that it can be demonstrated that the bipartisan consensus in Congress has achieved significant success through the Higher Education Act in assisting those with the least ability to pay to obtain the benefits of postsecondary education.

We believe, however, that families should continue to bear the primary responsibility to finance their children's education.

We believe that reasonably accurate formulas and instruments are available and in use to determine relative financial strength among families and their ability to pay educational costs.

We believe that a good financial aid program maintains a balance between work opportunities, loans and grants.

We believe that this program must be supported by flexible regulations and administered on-campus as close to the individual recipient as possible.

We are concerned that the annual effort to substantially reduce this program of student aid over the past several years has and is discouraging those most in need from continuing to prepare themselves for college.

With that groundwork laid I would like to take a few more moments of your time to comment on several specific provisions in the subcommittee's proposals:

I would like to begin by saying that there is substantial support for the provisions in Title I of the Senate's subcommittee proposal throughout the financial aid community in Iowa. Lenders, state agency personnel, and campus aid administrators all seem to find more to like than dislike, so my comments are offered only as what we see as improvements on a good bill destined to bring significant benefits to the nation.

Subpart I, Section 101 B, restricts Pell Grant eligibility to students from families with incomes of $30,000 or less after subtracting state and federal income taxes. We support this proposal and would support a similar provision for the three campus-based programs, SEOG, CSWP, and NDSL. We would suggest the amount of income level be increased by some appropriate amount annually through 1991 such as 5% or by some measure of inflation. We would also recommend that provisons for adjustments be made for exceptionally large families or for when more than one child is attending a postsecondary institution.

Subpart I, Section 102, provides for new maximum Pell Grant levels. We support the new maximum grant levels and the new per centum of the cost of attendance, but we are concerned that in at least the early years, appropriation levels will not be sufficient to fund them and the provisions in the law for a linear reduction will come into effect. Pell Grants are combined with other funds in "aid packages" before awards are made tostudents. Linear reductions radically revises the Pell awards for large numbers of students, severely disturbing the carefully constructed "aid packages" designed to optimize available funds to students. Continuing resolutions are apt to make the decision to resort to linear reduction occur at a very late date in the aid cycle.

We would recommend that if sufficient funds have not been appropriated at an early date in the cycle, the maximum amount be limited to preceding year maximum's in descending order, i.e. $3200, $3000, $2800 etc., until reaching the 1985-86 year's maximum of $2100 and 50% of cost of education or until appropriations are sufficient to meet the cost of the maximum level. Linear reduction should not be used unless the appropriation is not sufficient to meet the 1985-86 maximum level.

Campus aid administrators continue to support the elimination of the central Pell processor. The centralized Pell Grant delivery process involving Student Aid Reports continues to be the single most confusing element to students and families in the aid application process. It has been estimated that the elimination of the central processor could save the government up to $30,000,000 annually and the only thing that would be lost is red tape and confusion. Independent need analysis agencies provide campuses now with accurate Pell index numbers and all the raw data necessary to recompute if some of the elements change. I believe that Section 105 in the Senate proposal is attempting to take a step in that direction by providing the campus administrators authority to make changes and corrections to the Pell index, but the language is unclear and the committee needs to go further and rely upon the delivery system used successfully by the campus-based programs to deliver Pell Grants.

Subpart 2, Part C, and Part D, refer to the so called campus-based programs SEOG, CSWP, NDSL. The proposal treats these programs basically alike and we generally support the provisions for these important programs. The provision to increase the interest from 5% to 7% for the Direct Loan is reasonable and will assist with collections and maintaining the revolving funds built up over the years. The increase in the amount that can be loaned annually will allow us to use this less expensive loan more appropriately in high need cases. Because of the revolving nature of the Direct Loans a strong case can be made that in the long run it is the more economical of the two major loan programs. Iowa State University has loaned approximately $2,000,000 annually over the last several years all from the repayment of previous loans. Every time these dollars are re-loaned the cost to the taxpayers for each dollar loaned goes down. The incentives to manage these dollars wisely are strong since they are a scarce resource that has the potential of being available into an unlimited future. Unfortunately, the formula to allocate these funds works to the disadvantage of those who have husbanded them carefully and worked hard to collect them after they have been loaned.

The elimination of the state allotment formula for all three campus-based programs will do a great deal to simplify the administration of these programs and allow the funds to move to where they are needed most. The provision to lock institutional funding at 1985 levels really locks them at levels reached in the 1970s. The institutional allocation formula is fair. It should be allowed to function by reducing the guaranteed level to 80% of what it was in 1979 and then continue to reduce the guarantee 20% a year. Funds would shift to the students who need them most. The only change we would recommend is the elimination of the penalty in effect for collection of old loans when allocating new funds. Currently 90% of collectable funds are used as an offset against new allocations.

Over 97% of former Iowa State University student Guaranteed Student Loan borrowers are repaying their loans on time. Approximately 95% of all former student borrowers in the state of Iowa are repaying their loans on time. Despite this record by borrowers, the current federal administration has been able to create an image in the general public's mind of defaults run rampant.

Campus aid administrators are concerned about this and are supportive of all efforts to see that not even one former student with the ability to repay defaults.

A recent study by the National Association of Student Financial Aid Administrators found that the typical GSL borrower currently in repayment is about 28 years old, has a total educational debt of nearly $6500, more than $5000 of which is a GSL. This former student repays nearly $1000 annually from an income of $20,000. On average, GSL borrowers use 5.5% of their gross income to repay student loans. The average percentage of after-tax, take-home pay used to repay loans is 7.5 percent.

In the same study, postsecondary institutions were given the highest marks by borrowers as the best source of information about student loans. GSL lenders, high schools, newspapers and magazines, and state agencies followed. The federal government ranked last.

In 1985-86, in order to attend Iowa State University, a low income nonresident student is likely to borrow $3500 a year. $2500 of which is GSL. A low income student graduating in the Class of 1988 is likely to leave Iowa State University with a cumulative debt of $14,000 and it is likely that he or she will have to devote 15% to 20% of their take-home pay to educational debt retirement. If they were to become a school teacher it would approach 30%.

Therefore, we support efforts to provide for loan consolidation and extension of terms. The need for loan consolidation is especially clear in the case of Veterinary Medicine students at Iowa State, some of whom have graduated owing $25,000 in GSL; $20,000 in HPL and $7000 in NDSL and must make minimum payments separately on all three loans. Many of them were counting on the Student Loan Marketing Association's Program, OPTIONS, to partially consolidate and extend repayment, but failure to extend the OPTIONS program legislation in 1983 has left the last two graduating classes struggling to repay. The increase in debt levels experienced by students currently in school makes loan consolidation and terms extension necessary to advert a collection crisis. We support the consolidation language in HR 3700 which provides for higher interest in the outlying years, to keep costs under control.

We are concerned that the proposed increase in the GSL limits will lead to unacceptable levels of indebtedness, increased defaults, and increased program costs which will unbalance the student aid system by limiting grants and employment opportunities.

Section 153 increases the loan limits from $2500 to $3000 for the first two years of undergraduate education and from $2500 to $4000 for years after successfully completing two years. We would prefer the first two years remain at $2500 and that the remaining undergraduate years be increased to $3000. Further, costs in the GSL program will threaten the other important aid programs.

Several recent studies have indicated that most of those persons who are not repaying their loans left school without completing the first year of school. Many studies over the years have indicated that 50% of those who drop out of school do so in the first year. It would seem clear that increasing loan limits before a student has demonstrated his or her ability to be successful in school would not be in anyone's best interest. For the same reason we support co-payable checks and multiple-disbursals of loan proceeds. Existing language in the current law and regulations make multiple-disbursals difficult to administer, however. Specifically, it requires that one third of a loan period must pass between the disbursal of the first check and before the disbursal of the second check. We learned at Iowa State this year that this can create difficulties when a student's loan period is from August to May, but the student receives the first check in December and the fee for the second semester is due in January. Language needs to be added to provide for disbursal at the time the school term fee is due.

Section 433 of the existing law makes it difficult for institutions to become lenders. We would support not only the elimination of this restrictive language, but also the inclusion of incentives for schools to become lenders. An institutional GSL program could become the incubator for an endowed pool of loan funds raised from gifts and interest earned on earlier loans. These funds are apt to be managed very carefully for they represent a future resource. We would suggest keeping the federal interest subsidy payment at 3.5 percent for institutional lenders if all earnings are returned to a revolving loan fund.

The GSL program is not as efficient administratively as it might be. As the federal government reduces administrative fees and special allowances it should also consider rule changes that would make it less expensive to administer. Electric transfer of funds and line of credit proposals are two such administrative changes that improve service to borrowers and reduce costs to schools and lenders.

We also support the increase of interest rates from 8% to 10%. At the same time we would support a change in the use of the 5% surcharge from an interest offset to a one time insurance fee, the use of which would be restricted to a reserve for and the payment of defaulted loans.

We are in favor of competition among guarantee agencies within states. It has led to better service for students.

We are concerned that the proposal to simplify the need analysis system by combining it with the Pell Grant and Guaranteed Student Loan rules of eligibility will result in the loss of a good measure of family financial strength as well as the loss of good rules of program eligibility.

Part F provides for a single need analysis formula for CWSP, SEOG, NDSL, and GSL. Although we appreciate the fact that the Senate has not included the Pell Grant in this formula as HB 3700 does we would prefer that the GSL program also be left with its own rules of eligibility. Although we are in favor of a needs test for the GSL we prefer the existing one which does not include assets, which is an important consideration for Iowa's farm families.

The Senate subcommittee proposal does not speak to the method by which family financial data should be collected, but HR 3700 changes the existing system of private service agencies who collect, process and report to institutions for a $5-$7 student fee. HR 3700 requires that the Secretary contract with several agencies to provide this service at government cost for students. We feel the current service is excellent for the very reason that students are the customers. If the federal government becomes the paying customer, service to students will suffer, and funds used to pay the private service agencies will not be available for the aid programs.

The subcommittee recommends a master calendar for the aid cycle. We strongly recommend such a provision. Serious delays have been experienced in the past leaving students with no information concerning what level of support to expect and schools with increased labor costs as they attempted to make up for lost time.

The subcommittee recommended allowing institutions to make individual need analysis adjustments, we strongly support this provision, but prefer the language in HB 3700 which is somewhat more flexible.

We support the new criteria defining satisfactory academic progress. We feel that it will contribute to the already strong public support for student financial aid.

We support the provisions of a simplified need analysis system for families earning less than $15,000 a year.

We support the provisions for a new definition of an independent student. Although our experience at Iowa State indicates it will have little impact, it appears to have become a matter of public concern which could be eased by this adjustment.

Again, I thank you Senator Grassley for the opportunity to appear at this hearing and sincerely look forward to providing you with any assistance that I can as you proceed with this reauthorization process. I will be happy to respond to any questions that you have at this time.

Senator GRASSLEY. Thank you, Mr. Sullivan.

We will go now to Mr. Phipps.

Mr. PHIPPS. Thank you, Senator Grassley, and thank you for the opportunity in allowing me to present to you the Iowa College Aid Commission's position on areas that we consider most pressing in the reauthorization of the Higher Education Act of 1965.

Due to the length of my written testimony, at this time I'm going to give an abbreviated testimony and hope that you have time to review the entire statement.

Senator GRASSLEY. Yes, sir.

Mr. PHIPPS. I address you this morning as the chairman of the Iowa College Aid Commission, a State agency designated as the guarantor for the Guaranteed Student Loan Program in Iowa

The majority of my comments this morning will address our loan program and how it will be impacted by reauthorization. The issues which I wish to bring to your attention are as follows:

One. Legislative changes to the Higher Education Act of 1965 outside reauthorization must be minimized.

Two. Reauthorization should eliminate competition between multistate guarantors and State-designated guarantors.

Three. Lower the PLUS interest rate to 10 percent.

Four. Ensure that the needs test for the Guaranteed Student Loan Program recognizes the unique financial conditions of farm families.

Five. Set the guarantee fee at a maximum of 3-percent flat rate instead of the 1-percent flat rate.

Six. Endorse the House version of increased guaranteed student loan limits instead of the Senate version.

A major source of financial aid for all students is provided by the Guaranteed Student Loan Program. In fiscal year 1985, the Iowa College Aid Commission guaranteed approximately $117 million in guaranteed student loans. Over 50 percent of the students enrolled in all of our postsecondary educational institutions relied on the loan program to fund their college expenses.

I would like to point out that presently our cumulative default rate in Iowa is 6 percent. This compares to the national average of approximately 11 percent.

I would also like to point out that we have recently established a tax offset program. The commission established a tax offset program with the State of Iowa in 1983. This program has proven to be very successful, collecting approximately $90,000 since its inception.

Now, to get to the six points I mentioned earlier.

The Guaranteed Student Loan Program requires the full cooperation of lenders, schools, and the State-designated guarantor. To insure equity and fairness of the program, it must be, by design, rather complex in carrying out. Much coordination must be performed in every evolution of the loan process. Each change made to the program adds considerable complexity to its execution. I would strongly encourage Congress, in its annual deliberations, to minimize changes outside of the regular reauthorization process. Changes are disruptive, time consuming to execute, and increase the risk of errors being made in the administration of the program.

My second point, and certainly the most important one that I want to make to you today, is in the area of the role of the State-designated guarantor.

In recent years multistate guarantors have increased their operations within the State of Iowa. Although competition is usually good for any program, I submit to you that in this particular case there is an exception to that general rule. The basis of a good strong Guaranteed Student Loan Program in any State is that the guarantor have a strong and healty reserve fund. The reserve fund receives its revenue from four principal sources: Reinsurance by the Federal Government; administrative cost allowance paid by the Federal Government which, I would like to point out, the Department of Education has chosen not to pay in 1985; guarantee fees paid by the student borrower, which in Iowa amounts to three-quarters of 1 percent of the loan value; and the fourth soorce of revenue is interest earnings on the investment of the reserve fund.

As you can see, all of these sources of revenue vary with the volume of the loan portfolio. When that volume is divided between two or three guarantors, naturally the volume is less than what it would be if the entire portfolio were guaranteed by one guarantor.

There are appropriate roles for multistate guarantors, especially in States where there is an access problem or where students have difficulty in finding a lender willing to make the loan. That is not the case in Iowa, as in many other States. Access is not a problem because lenders recognize that it is a risk-free loan which provides a community service and a reasonable return on their investment. Therefore, we in Iowa are very fortunate in having great support by our lending community.

The Iowa College Aid Commission sent a letter to you dated January 21, 1986, that submitted for your consideration an amendment to Senate bill 1965, which reauthorizes the Higher Education Act of 1965. This amendment, in effect, would limit reinsurance by the Federal Government to only those cases where the student is a resident of the State or is accepted for enrollment or attending an eligible institution within the State, unless the State guarantee agency or designated guarantee agency for the State in which the student is a legal resident shall have failed or refused to insure a loan to such student. This, in effect, will allow multistate guarantors to operate in States that have an access problem. It would discourage them from operating in competition with State-designated guarantors.

I encourage your support of this amendment to Senate bill 1965.

Currently the interest rate for the PLUS Loan Program, the guaranteed student loan supplement originally designed for parental use, is running at 12 percent. The PLUS volume in Iowa, and I suspect in other States as well, is well down, because the 12-percent interest is not really competitive in today's market. There is little advantage in taking out a PLUS loan at 12 percent over taking out a regular consumer loan at about the same rate, especially when you consider there is, by necessity, some additional complexities in applying for and processing a PLUS loan.

The Iowa College Aid Commission would encourage the Senate to adopt a 10-percent rate for the PLUS loan, thereby making it more competitive and encouraging wider acceptance for its use.

The deliberations now ongoing over the Reauthorization Act have established that all recipients of the guaranteed student loan must satisfy a needs test before they are eligible for the guaranteed student loan. The needs test for all applicants is supported by the Iowa College Aid Commission, but I encourage you, Senator Grassley, to consider the special needs of farm families in developing this needs test. Any needs test that requires a listing of assets can, without special consideration, place an undue burden on farm families who must, under these conditions, list their farms and acreages as assets. Yet, as we all know, owning a farm does not in itself provide any additional cash-flow for paying for a college education. Therefore, special circumstances involving agricultural farm families need to be addressed in the needs test requirements for the Guaranteed Student Loan Program.

Fifth, Senate bill 1965 establishes a flat guarantee fee of 1 percent. The current reglations allow for a maximum of 3 percent over the life of the loan. The Iowa College Aid Commission has been charging three-quarters of 1 percent for the life of the loan, and finds that to be quite adequate. This allows the commission to collect for each maximm loan of $2,500 for the 4 years of schooling, a guarantee fee of $84.37. To change to a flat 1 percent guarantee fee would provide only $25 for a maximum guaranteed student loan. This is a drastic reduction in one of our major sources of revenue for the reserve fund and one which I feel is both unfair and impractical to expect a guarantor to be able to continue operating under those conditions.

I would ask the Senator to consider the House version of the guarantee fee, which allows for a flat rate of 3 percent, a much more palatable fee as far as the guarantor is concerned, and still reduces the cost to the student borrower or, better yet, leave it as it currently exists in the law.

The last point I would like to cover is the increase in loan limits. I think this is generally supported by all of us involved in administering financial aid, although not without some concern. With any increase in loan limits, it will also follow that the student will graduate or achieve a certificate with a greater debt level than they now have. It is to all of our interests, as well as the students', that we carefully judge what debt level a student can acquire with the expectation of being able to repay that debt in a reasonable amount of time and not add to our default burden. Nevertheless, the cost of higher education is continuing to grow and students are finding it more difficult to come up with the funds to pay for that increase and, therefore, it is appropriate, in the opinion of the Iowa College Aid Commission, that the loan limits be increased. I would ask you, however, to consider the limits as proposed by the House bill.

The House bill proposes that there will be no increase authorized for the first 2 years of a 4-year college education and that the limits for the second 2 years be increased to $5,000. We, at the Iowa College Aid Commission, feel that this is a good recommendation and avoids some of the stumbling blocks that are inherent to the program. One of the major stumbling blocks is the fact that over 50 percent of the students who default do so within the first year that they receive their first loan. In other words, they drop out, for whatever reason, do not improve their skill level, and are in no better position to earn a living and pay off the loan than they were before they started. It can be statistically shown that once students complete 2 years of a college education they are more likely to go all the way to graduation, and it can also be statistically shown that those who do graduate are by far a lower default risk factor than any other category. Therefore, the Iowa College Aid Commission would ask you to consider modifying the Senate rules for increasing loan limits to coincide with those of the House.

The Guaranteed Student Loan Program is very vital to our educational interests in Iowa.

I would like to thank you for the opportunity to provide this information to you, and if I can be of further help, or the Iowa College Aid Commission, please feel free to call on us.

[The prepared statement of Mr. Phipps follows:]

STATEMENT BY ROBERT PHIPPS

PUBLIC HEARING ON POSTSECONDARY EDUCATION
REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965
FINANCIAL AID

February 11, 1986

Senator Grassley:

Thank you for the opportunity in allowing me to present to you the Iowa College Aid Commission's position on areas that we consider most pressing in the Reauthorization of the Higher Education Act of 1965. I address you this morning as the Chairman of the Iowa College Aid Commission, a State agency designated as the guarantor for the Guaranteed Student Loan Program in Iowa. I will take just a moment to explain to you the overall mission of the Iowa College Aid Commission. First, as guarantor, we provide 100 percent guarantee to the more than 710 lenders in Iowa providing student loans. This guarantee makes the student loan risk-free to the lender. In addition to being the designated State guarantor for the loan program, the Iowa College Aid Commission also administers 7 state-funded financial aid programs that support public, independent and community college education in Iowa. All but one of these 7 programs are used for students who demonstrate a financial need in meeting their educational goals.

The majority of my comments this morning will address our loan program and how it will be impacted by Reauthorization. The issues which I wish to bring to your attention are:

1. Legislative changes to the Higher Education Act of 1965 outside Reauthorization must be minimized.

2. Reauthorization should eliminate competition between multi-state guarantors and state-designated guarantors.

3. Lower the PLUS interest rate to 10 percent.

4. Ensure that the needs test for the Guaranteed Student Loan Program recognizes the unique financial conditions of farm families.

5. Set the Guarantee Fee at a maximum of 3 percent flat rate instead of the 1 percent flat rate.

6. Endorse the House version of increased GSL limits instead of the Senate version.

As you are well aware, Iowa has a long history of providing strong support to its educational system. This support exists from kindergarten through postsecondary educational institutions. Iowa was an early leader in dedicating a sizeable portion of its State's financial assets to student aid. In recent years, the State's economy has been under stress, but even during these hard times, Iowa has continued its support of education even though we have been unable to increase that support to levels that are desired.

Before expanding on these 6 points, I would like to take just a moment to state the concern we have for the impact that the Gramm-Rudman deficit reduction bill will have on the federally-sponsored financial aid program available for postsecondary education students. These programs include the College Work-Study Program, the National Direct Student Loan Program, Pell Grant, and the State Student Incentive Opportunity Grant. With the issuance of the sequestor order, Iowa will loose nearly $4 million in federal support to these programs in Fiscal Year 1986. In Fiscal Year 1987, we stand to loose four times that amount. It is not very difficult to see the potential problems this reduction in funding will have on the decisions by many financially strapped students to continue their education.

A major source of financial aid for all students is provided by the Guaranteed Student Loan Program. In Fiscal Year 1985, the Iowa College Aid Commission guaranteed approximately $117 million in Guaranteed Student Loans. Over 50 percent of the students enrolled in all of our post-secondary educational institutions relied on the Loan Program to fund their college expenses. As the administrators of this program, we fully recognize our responsibilities to ensure the integrity of this program, and we have put forth a considerable amount of time and effort to ensure that the program is run in a fair and professional manner. We are proud of the fact that Iowa has one of the lowest default rates in the country. Presently our cumulative default rate is 6 percent. This compares to a national average of approximately 11 percent. Since the Iowa program began in 1979, there have been only two months in that period in which the Iowa program lost its full reinsurance rate from the Department of Education based on the fact that our fiscal year default rate exceeded 5 percent. In Iowa the guarantor, the schools, and the lenders all three fully accept equal responsibility for insuring a low default rate. This partially explains our existing low rate. Another major factor is the high level of personal integrity that Iowans have always displayed. By far the majority of those Iowa students who have defaulted on their student loans do so simply because they do not have the resources to pay off their loans. As the administrators of this program, we dedicate considerable effort to collecting on our defaulted loans. We employ four professional collection agencies to assist us in this effort. Additionally, we have recently established a tax offset program with the federal government. The Commission established a tax offset program with the State in 1983. This program has proven to be very successful, collecting approximately $90,000 since its inception. We have also experienced a considerable amount of success in our own in-house collection effort. I make this point to emphasize the fact that we take our responsibilities as the GSL guarantor seriously and also to show you that we greatly appreciate the aid to students provided by this program.

Now, to get to my 6 recommendations. The Guaranteed Student Loan Program requires the full cooperation of lenders, schools, and the State-designated guarantor. To insure equity and fairness of the program, it must be, by design, rather complex in carrying out. Much coordination must be performed in every evolution of the loan process. Each change made to the program adds considerable complexity to its execution. I would strongly encourage Congress, in its annual deliberations, to minimize changes outside of the regular Reauthorization process. Changes are disruptive, time consuming to execute, and increase the risk of errors being made in the administration of the program.

My second point, and certainly the most important one that I want to make to you today, is in the area of the role of the State-designated guarantor. In recent years multi-state guarantors have increased their operations within the State of Iowa. Although competition is usually good for any program, I submit to you that in this particular case there is an exception to that general rule. The basis of a good strong Guaranteed Student Loan Program in any state is that the guarantor have a strong and healthy Reserve Fund. The Reserve Fund receives its revenue from 4 principal sources: reinsurance by the federal government; Administrative Cost Allowance paid by the federal government which, I would like to point out, that the Department of Education has chosen not to pay in 1985; Guarantee Fees paid by the student borrower, which in Iowa amounts to 3/4 of 1 percent of the loan value; and the fourth source of revenue is interest earnings on the investment of the fund. As you can see, all of these sources of revenue vary with the volume of the loan portfolio. When that volume is divided between two or three guarantors, naturally the volume is less than what it would be if the entire portfolio were guaranteed by one guarantor. There are appropriate roles for multi-state guarantors, especially in states where there is an access problem or where students have difficulty in finding a lender willing to make the loan. That is not the case in Iowa, as in many other states, access is not a problem because lenders recognize that it is a risk-free loan which provides a community service and a reasonable return on their investment. Therefore, we in Iowa are very fortunate in having great support by our lending community. The Iowa College Aid Commission sent a letter to you dated January 21, 1986, that submitted, for your consideration, an amendment to Senate Bill 1965, which reauthorizes the Higher Education Act of 1965. This amendment in effect would limit reinsurance by the federal government to only those cases where the student is a resident of the state or is accepted for enrollment or attending an eligible institution within the state, unless the state guarantee agency or designated guarantee agency for the state in which, the student is a legal resident shall have failed or refused to insure a loan to such student. This, in effect, will allow multi-state guarantors to operate in states that have an access problem. It would discourage them from operating in competition with state-designated guarantors. I encourage the Senator to support this amendment to Senate Bill 1965.

Currently the interest rate for the PLUS Loan Program, the GSL supplement originally designed for parental use, is running at 12 percent. The PLUS volume in Iowa, and as I suspect in other states as well, is well down because the 12 percent interest is not really competitive in today's market. There is little advantage in taking out a PLUS Loan at 12 percent over taking out a regular consumer loan at about the same rate, especially when you consider there is, by necessity, some additional complexities in applying for and processing a PLUS Loan. The Iowa College Aid Commission would encourage the Senate to adopt a 10 percent rate for the PLUS Loan, thereby making it more competitive and encouraging wider acceptance for its use.

The deliberations now ongoing over the Reauthorization Act have established that all recipients of the Guaranteed Student Loan must satisfy a needs test before they are eligible for the Guaranteed Student Loan. The needs test for all applicants is supported by the Iowa College Aid Commission, but I encourage the Senator to consider the special needs of farm families in developing this needs test. Any needs test that requires a listing of assets can, without special consideration, place an undue burden on farm families who must, under these conditions, list their farms and acreages as assets. Yet, as we all know, owning a farm does not in itself provide any additional cash flow for paying for a college education. Therefore, special circumstances involving agricultural farm families need to be addressed in the need test requirements for the Guaranteed Student Loan Program.

Senate Bill 1965 establishes a flat guarantee fee of 1 percent. The current regulations allow for a maximum of 3 percent over the life of the loan. The Iowa College Aid Commission has been charging 3/4 of 1 percent for the life of the loan, and finds that to be quite adequate. This allows the Commission to collect for each maximum loan of $2,500 for the four years of schooling, a guarantee fee of $84.37. To change to a flat 1 percent guarantee fee would provide only $25 for a maximum guaranteed student loan. This is a drastic reduction in one of our major sources of revenue for the Reserve Fund and one which I feel is both unfair and impractical to expect a guarantor to be able to continue operating under those conditions. I would ask the Senator to consider the House version of the guarantee fee which allows for a flat rate 3 percent, a much more palatable fee as far as the guarantor is concerned and still reduces the cost to the student borrower or, better yet, leave it as it currently exists in the law.

The increase of loan limits, I think, is generally supported by all of us involved in administering financial aid, although not without some concern. With any increase in loan limits, it will also follow that the student will graduate or achieve a certificate with a greater debt level than they now have. It is to all of our interest, as well as the students, that we carefully judge what debt level a student can acquire with the expectation of being able to repay that debt in a reasonable amount of time and not add to our default burden. Nevertheless, the cost of higher education is continuing to grow and students are finding it more difficult to come up with the funds to pay for that increase and, therefore, it is appropriate in the opinion of the Iowa College Aid Commission that the loan limits be increased. I would ask Senator Grassley, however, to consider the limits as proposed by the House Bill. The House Bill proposes that there will be no increase authorized for the first two years of a four-year college education and that the limits for the second two years be increased to $5,000. We, at the Iowa College Aid Commission, feel that this is a good recommendation and avoids some of the stumbling blocks that are inherent to the program. One of the major stumbling blocks is the fact that over 50 percent of the students who default do so within the first year that they receive their first loan. In other words, they drop out for whatever reason, do not improve their skill level, and are in no better position to earn a living and pay off the loan than they were before they started. It can be statistically shown that once students complete two years of a college education they are more likely to go all the way to graduation and it can also be statistically shown that those who do graduate are by far a lower default risk factor than any other category. Therefore, the Iowa College Aid

Commission would ask the Senator to consider modifying the Senate rules for increasing loan limits to coincide with those of the House.

The Guaranteed Student Loan Program is very vital to our educational interests in Iowa. As I have already stated, it provides a major source of funding for the students to achieve their educational goals. Another factor not so widely recognized is the impact the Guaranteed Student Loan Program has on the economic development for the State of Iowa. In 1985, $60 million came into the State of Iowa in the form of subsidies and allowances supporting the Guaranteed Student Loan Program. This was not a net gain because, at the same time, much of that money also was being paid out. Nevertheless, it was $60 million new dollars that came into the State of Iowa that would not have come here had the student loan program been carried out by a national guarantor and national lenders. The Iowa College Aid Commission is proud of the way in which it has administered this program. We have a strong Reserve capable of carrying its share of belt tightening that is obviously needed at both the state and federal levels. Even with the proposed drawbacks in financial support to the program affecting the guarantors, the Iowa College Aid Commission anticipates being able to continue its program just as strong as it has in the past, primarily because of the strength of the Reserve Fund. However, that strength can only remain if the Commission is able to maintain or grow in its loan volume. If we must continue sharing that loan volume with multi-state guarantors, it will weaken the Reserve Fund and, therefore, weaken the program in Iowa.

I am firmly convinced that the federally endorsed policy of state and national guarantors competing with one another is a waste of resources. It is also nearly impossible for a guarantor to take a hard and firm stand on either individual borrowers or institutions who abuse the program. If I, as the State guarantor for Iowa, have a lender or school that I feel has excessive default rates and is not taking steps to correct that default rate, it does little good for me to take a hard stand by threatening limitation, suspension or termination in accordance with federal policy. That institution will simply shift its program to a national guarantor. I think, in addition to undermining any effort to combat fraud, waste, and abuse, multiple guarantors in the same state lend confusion on the part of the student who has trouble enough keeping track of his or her loans and to whom he or she owes the repayment. The student must also keep track of who guarantees the loan. This also contributes to the complexity of any attempt on the part of the student to consolidate his or her loan. If they go into repayment with loans under two guarantors, they then would have to pay two minimum payments instead of one. I believe there is a role for national guarantors to provide support to states who do not have a designated state guarantor or who have an access problem. On the other hand, I believe it is most detrimental to have more than one guarantor working in the same state.

Senator GRASSLEY. Thank you. You have some very specific suggestions.

We will now go on to Mr. Cunningham.

Mr. CUNNINGHAM. Thank you, Senator Grassley.

I appreciate the opportunity to appear before your committee today and sincerely hope you will find our views of value in your difficult deliberations concerning reauthorization of the Higher Education Act.

I am the executive director of the Iowa Student Loan Liquidity Corp., ISLIC.

ISLIC is a private, not-for-profit corporation chartered to provide State-based secondary market student loan support. In fulfilling this responsibility, since 1981 our corporation has issued over $150 million in debt, the proceeds of which were used to purchase over 55,000 loans from 130 Iowa commercial banks, savings and loan associations, and credit unions. The student borrowers represented in our portfolio currently attend or have attended 725 postsecondary educational institutions throughout the world. However, as might be expected, 82 percent attended Iowa educational institutions. In our current portfolio 21,654 student borrowers with combined balances exceeding $65 million are in repayment. Over the last 6 months our past-due percentage has averaged 3.05 percent or, more accurately stated, during the first half of fiscal year 1986, 96.95 percent of the payments due have been made on time. According to the State guarantor, the Iowa College Aid Commission, ISLLC's default rate is less than 3 percent.

Our corporation has been successful in finalizing purchase contracts with every lending institution expressing sincere interest in our program. We aggressively encourage our participating lenders to reinvest and expand their activity in the Student Loan Program, and they overwhelmingly do so. ISLLC is proud of the impact we have had on higher education in Iowa and we look forward to continuing this positive support.

First, we compliment your committee for the excellent job you have done to date in the difficult task of reauthorization of the higher education legislation. We would like to draw your attention to the following:

We support a minimum of a 6-year extension to this legislation. The guaranteed student loan is, by its very nature, an exception to normal consumer credit transactions. A level of expertise beyond that which is normally required is necessary to properly administer a GSL portfolio. The loans themselves are complex and technical. Regulatory adjustments establishing numerous trigger dates resulting in a confusing array of technical differences to individual loans granted to one student borrower have compounded the complexities of the program. The students, the originating lenders and subsequent holders of loans would be greatly aided by a minimum of regulatory adjustments during this extension period. Consistency of regulation at the borrower's level, not the note level, is needed.

We support an increase in borrowing limits. However, we urge the committee to consider adjusting loan limits for upper division and graduate students only. As students near the completion of their degree program, their study emphasis conceivably becomes more technical and more difficult, allowing less time for outside employment, thus increasing the need for financial aid.

If additional aid is provided to upper classmen, institutions should have more discretionary funds to assist first- and second-year students. The history of our portfolio indicates most defaults occur early and appear to be students who failed to compete their program of study. Therefore, limiting increased borrowing amounts to upper level students should serve to minimize the impact on default amounts.

Specifically, we recommend retaining first- and second-year borrowing limits at $2,500; increasing third- and fourth-year undergraduate limits to $5,000 and increasing postgraduate limits to $8,000.

It is impossible to consider increased annual limits without discussion of repayment terms. There is a need to provide to the student, while in school, some level of comfort that a repayment program will be available which will be reasonable and economically feasible. This program should provide not only for the consolidation of loans with one lender, but for extended repayment terms when necessary. However, qualifications need go beyond the level of GSL debt only. It also should be a program that is open to all participating lenders. Limitation or monopolization is not in the best interest of all participants.

We also feel it is important that those student borrowers who choose repayment terms in excess of 10 years should be charged an increased interest rate. The privilege of extending repayment term, if given for nothing, loses its value, and the additional expense of extended repayment terms can better be borne at the individual student level than by the Department of Education.

For simplicity, however, the new interest rate should be established at the time of repayment extension rather than phasing it in over the term of the loan. The rate differential should be such that the cost of the repayment term beyond 10 years does not create additional burden on the Department of Education.

During 1983 and 1984, ISLLC understood the arduous task of complying with the provisions of the Ford amendment. For 18 months this corporation sought Federal approval for what should have been a very simple transaction.

We request that the committee oppose at all costs any language in the reauthorization of the Higher Education Act which could possibly lead again to the nightmare of delays and unfounded objections that resulted from the gross misinterpretation of the Ford amendment.

Your committee is to be complimented for identifying this problem and striking section 438(d).

The Guaranteed Student Loan Program is working well in Iowa. The problem of access about which we heard so much in the past has been eliminated. The participants in this program, however, are extremely interdependent. We urge the committee to provide the financial support and the necessary regulatory authority to the guarantee agencies to enable them to maintain a quality program; likewise, care must be taken to ensure lenders sufficient return on their investment which will enable them to provide an efficient and marketable product.

We realize the multiplicity of issues in the Guaranteed Student Loan Program, and we acknowledge the difficult task awaiting your committee. ISLLC would welcome the opportunity at any time to provide any assistance to your committee, and we sincerely hope our comments today have been helpful.

Mr. Chairman, I would be happy to answer any questions that you might have.

Senator GRASSLEY. Thank you. We will save the questions until the end of the panel.

Patricia, would you proceed?

Ms. VON AHSEN. The Merchants National Bank, a member of Bank of Iowa Holding Co., is a national bank located in Cedar Rapids.

We strongly believe that all individuals should be afforded equal educational opportunity regardless of race, sex, age or economic status. As such, we are an active participant in the Guaranteed Student Loan Program, making student loans available to all eligible Iowa residents and to students attending Iowa educational institutions who wish to apply. We currently have an annual student loan volume in excess of $4 million per year.

It would be ideal if there were sufficient grants and other types of nonrepayable aid available to eliminate the need for student loans. However, this is not true or probable to ever happen.

Student loans will remain and become even more of a necessity if individuals are to obtain a higher education. We too are concerned with the growing imbalance between loan and grant programs. We have experienced the increased reliance on loans by low-income and disadvantaged students. We also fear that the middle-income student will become the most handicapped in obtaining a higher education. With increased needs requirements being written into the Guaranteed Student Loan Program, these students may very well find themselves considered too rich to need to borrow and too rich to qualify for grants, yet unable to afford the cost of an education themselves.

There have been many accusations that students are borrowing student loans needlessly. We do not find this true. We talk to both students and in most cases parents, who are very appreciative of the Guaranteed Student Loan Program. Numerous times it is mentioned that without this program, an education would not have been possible.

Lending institutions are the primary funding source of the Guaranteed Student Loan Program. We do recognize the expense to the Federal Government for administering and for interest subsidies. However, it should be viewed also from the perception of the total dollar amount made available towards education. Student loans are expensive to administer due to documentation and regulatory requirements which are unique to this type of loan. It is important that they remain at least marginally profitable if they are to continue to be available and accessible to all.

We agree with the proposal to have students first apply for a Pell Grant, as long as the processing of these grants can be done in a timely manner. We do feel that there should be some allowances for waiver by the financial aid advisor if they are aware that the student will not qualify or that even the maximum grant would not affect the student loan application.

We agree that the insurance fee charged to students should be capped at 3 percent per loan as long as this will not affect the strength of the program on the State level. If you do not have a strong program both financially and administratively, you will not get the lender participation necessary.

Although it incurs additional costs on the lenders' behalf to handle multiple disbursements, we agree that this is an excellent proposal to both save costs and control defaults.

We are pleased to see in the proposed changes the ability for lenders to consolidate loans for students. We have been frustrated in the past by our inability to do this. Our customers have voiced displeasure at having to handle this through an out-of-State agency rather than through the bank or the Iowa Student Loan Liquidity Corp.

We would like to see the grace period for all student loans return to 9 months. Less repayment problems seem to occur and less delinquency is apparent on loans which have had the 9 month rather than the 6 month grace period. If possible, it would benefit the program if all loans would qualify for the 9-month grace period rather than new loans made.

I think we speak for all lending institutions in requesting that any proposed changes being made, if at all possible, be made in a way that it could be a permanent change. A large part of the administrative problem with student loans is the fact that there are so many different rates, grace periods and other details that are applicable, depending upon when the loan was made or when the academic period began.

We oppose any reduction in the special allowance paid to lenders. Additional administrative burdens will be implemented by many of the changes, including changes in grace periods, interest rates, terms of repayment, multiple disbursements, and the new elevated interest rate during repayment. Financial institutions are the best place for student loans to be made. We are the experts, and our experience, along with the knowledge and customer service emphasis in our field benefits the program.

The Merchants National Bank, in conclusion, would like to affirm our commitment to the Iowa student and Iowa educational institution. As long as student loans remain at least marginally profitable, we will continue to make them available.

I would like to thank you for the opportunity to testify.

Senator **Grassley**. Thank you.

Mr. Heffron.

Mr. **Heffron**. Thank you, Senator Grassley.

I will limit my comments today to two very specific issues involved in the reauthorization. The first is what has become known as the single need analysis, and the second is the matter of students paying fees for the processing of need analysis forms. These are section 482 and 483, respectively, of the current law and of H.R. 3700.

At first glance, the single need analysis issue appears deceptively simple. Few people would disagree that it is desirable to have a single, consistent analysis for determining students' financial assistance needs. In fact, a standard has existed since 1975 in a formula called the Uniform Methodology Need Analysis. The success of that formula has resulted from the fact that it is not unduly influenced by any particular aid program, but rather it establishes the umbrella of need to be met by funds from any variety of Federal, State, institutional and private sources. Except for the Pell Grant, nearly all student aid funds are awarded based on student need as determined by the Uniform Methodology formula.

House Bill H.R. 3700 would write into law a formula similar to the Uniform Methodology in many respects. However, H.R. 3700 would add a new function to the formula—that of determining eligibility for Pell Grant funds. We see several disadvantages to the House's approach:

First, by tying Pell Grant awards to the need analysis formula, the House would remove the formula's independence. It would now be subject to modification, not to better estimate students' need, but to control the expenditure of Pell Grant funds. A need analysis formula should say, This is what we feel you need. I hope you can find it. It shouldn't say, Since this is all we want to give you, this is all you need.

Second, because it is written into law, the formula becomes very rigid and not easily modified when abuses or errors are found or changes required. An act of Congress is required to change even simple errors.

The House-specified formula contains certain features that the financial aid community has rejected for years. Thus, it is likely the formula will be used only for Federal funds as required by law, and a separate formula would be developed for awarding funds from other sources. Rather than promoting a single standard of need, this would return us to the confusion that existed prior to the Uniform Methodology when multiple formulas were in use.

The Senate subcommittee proposal is preferable to that of the House in that it allows for the continuance of two formulas, one for determining Pell Grant eligibility and one for determining financial need. This provision reduces the potential for conflict between fund control pressures and the accurate assessment of need that is implicit in a single need analysis formula.

Although S. 1965 does not prescribe the need analysis formula in the same detail as does H.R. 3700, it does state that certain procedures and tables be used. Some of these procedures conflict with accepted need analysis practice and, if implemented, may also encourage the development of multiple formulas to determine need for non-Federal funds.

Also included in S. 1965 is a requirement that the Secretary of Education develop a simplified needs test, based primarily on income, for families whose adjusted gross income is $15,000 or below. While the intent of this provision, to simplify the process for low-income people, is commendable, as written, it will provide a very large loophole for abuse by some who can well afford to fund their education on their own.

Although the Education Amendments of 1980 call for a single need analysis, technical amendments have deferred this provision each year since its passage. We recommend that the Higher Education Act be reauthorized to permit a continuation of the situation that has worked so well for the past 12 years. That is, to have a Pell Grant formula, developed by the Federal Government, for determining Pell Grant eligibility, and a separate need analysis formula developed by the higher education community and approved by the Secretary of Education for use with Federal aid programs other than Pell.

Next is the issue of student processing fees. There are currently three national precessors of student need analysis forms—the Federal Government, through its Pell Grant central processor, and two nonprofit private companies, American College Testing, for whom I work, and College Scholarship Service. The primary differences between these processors lie in the extensiveness of the services they provide and in the source of funding for their operations. The Pell central processor provides only basic levels of service and is funded entirely by contract with the U.S. Department of Education. The private need analysis services provide a very wide range of services to students, institutions and State scholarship agencies. Their operations are funded by charges to institutions and agencies for services, by form processing fees received from student applications, and by a Multiple Data Entry contract with the U.S. Department of Education.

Multiple Data Entry is a process begun in 1978 whereby a student completing a private need analysis form need not complete a separate application for a Pell Grant. Instead, the private agency, when authorized by the student, simply transmits the relevant information to the Pell Grant central processor where an official determination of Pell Grant eligibility is made. The student pays the normal processing fee for the private agency services, but pays nothing extra to apply for a Pell Grant. The private agencies' marginal costs for participating in the multiple data entry process are paid under contract by the U.S. Department of Education.

Multiple data entry has numerous benefits for all parties involved. First, students benefit from a simpler process which allows application for nearly all forms of aid by completing only one form. Second, the Federal Government benefits by reducing its printing and processing costs because those costs are shared with the MDE processors. Third, institutions and State agencies benefit from a simpler, consolidated application process which avoids redundant data collection from students. Finally, the private agencies benefit. Our processing volume has increased to a more efficient level, allowing expanded services with no increase in our charges. In fact, after charging a processing fee of $6 for 4 years, ACT was able to decrease its fee to $5.50 for 1986-87 due to increases in efficiency.

The Education Amendments of 1980 require that the Secretary of Education provide a free form on which students may apply for Federal student aid. There is disagreement as to whether this provision was intended to apply only to the Federal form or to the MDE agency forms as well. Indeed, there has been a lawsuit going on for nearly 4 years on this issue. Nonetheless, the private MDE agencies have continued to charge their normal processing fee.

House Bill H.R. 3700, however, specifies quite clearly that the Federal Government must pay the full cost of collecting the student aid data prescribed by the Secretary of Education, whether those data are collected on a Federal form or on any other approved form.

Under this bill, the Department of Education would have to pay the larger share of the private agencies' data collection costs, rather than just the relatively small, marginal costs of sharing the data with the Federal Government. We estimate that the added cost to the Federal Government would be about $20 million per year. And the bill does not make implementation of this provision contingent upon the Department of Education having the money to pay for it.

I am not here today to argue the merits of whether or not applicants for student aid should have to pay a processing fee. Reasonable people disagree on this point. No evidence has been presented to indicate that the processing fee presents a barrier to students, however, so the issue appears to be a matter of philosophy.

Our present concern with this provision is that if it is implemented without an attendant increase in the Department of Education's operating budget, which is considered very likely, it might cause chaos in the fine student aid delivery system that has been developed over the years. Private agencies would be precluded by law from charging students for collecting the prescribed data if these data were to be used for Federal aid consideration. The Department of Education would be precluded by budgetary constraints from contracting with the private agencies to collect the data on its behalf. The 70 percent of all aid applicants who now use private agency forms would have to use the Federal form to apply for Federal aid. This increases student burden and Federal printing and processing costs.

Finally, since many State scholarship agencies and institutions are dependent upon the extra services and data that private agencies provide, most students still would have to complete the private agency form and pay a processing fee.

In times like these, when the Federal deficit is of great concern, we feel it would be unwise to expend additional Federal funds to implement an activity which has no assured social benefit.

Thank you, Senator.

Senator GRASSLEY. Well, we have had a lot of diverse opinion from different angles and very valuable for the committee. Some of you have done a good job of pointing out some very worthwhile considerations for changing in the legislation before the Senate.

I have some questions directed toward the entire panel. That doesn't mean that each one of you have to give a response to each question, but if you have something to add to what previous people say in response, I would encourage you to do that.

First question. Patricia has already commented on this, but I would like to have views from some of the rest of you. It has been recommended that the repayment grace period after the student graduates should be extended from the current 6 months to 9 months. And, of course, the rationale for that is that some borrowers go into default because they are unable to find jobs in that 6-month period, and that the extra 3-month period would help to get them established.

So what are your thoughts on this proposal, besides what Patricia has already stated, her support for that.

Mr. **Sullivan**. Just from the feedback that we have from students who have left and are coming back, I think common sense would dictate that we would extend that back to 9 months. The limited extra cost to the Federal Government to extend it for 3 months versus the problem of getting people into a default status which begins to destroy their initiative to try to repay the loan in the first place, just seems to me it would be in everyone's best interests to get that out to 9 months and let people start to repay their loan at an appropriate time, when they can afford to pay and get off to a good start on repayment.

Senator **Grassley**. Anybody else? Mr. Cunningham?

Mr. **Cunningham**. Yes, sir. We would definitely support return to a 9-month grace period for the reason that it gives the student a longer period to obtain a job. We run across some technical difficulties when a student chooses to attend the first semester and drops out in December or January. In order for that student to defer payment on that loan, they most return full time. Plus, it creates a problem for the lender that the loan will have to be converted to repayment in the summer, then reconverted back to interim status if the student should return full time. We definitely support it. We think the students need those extra 90 days to get themselves into a position to prepare themselves for repayment of that loan.

Senator **Grassley**. Several of you have touched on this point already, but I want to ask further response about what your thoughts are on what the Senate should do with authorizing the New Student Loan Consolidation Program. Of course you know that there is no component in regard to that subject in S. 1965. I would like to say that, as I indicated before, we intend to put such a package together and, as you know, the House provision provides for repayment period up to 25 years with a graduated interest rate. And, of course, the Senate, on the other hand, has generally supported in the past an income-contingent repayment program and a multiple needs analysis standard for that.

I would like to know how you respond to what is in the Senate bill and the need of it, and also what the Senate has traditionally done.

Mr. **Sullivan**. I could start off with that. It is probably one of the single most important parts of the bill, as far as we are concerned—thinking back over the last couple of years, trying to explain to students that what we had told them about the OPTIONS Program in the past, and why all of a sudden the OPTIONS Program was no longer available. We were dealing with freshmen, sophomores—first and second-year students of Vet Med, explaining that, yeah, we understand that you're incurring a very heavy debt, but we have an OPTIONS Program that's going to allow you to spread this out over a period of time. And after 1983 we end up having to say, "Well, there was an OPTIONS Program, but that's not the case anymore."

We have experienced some difficulty in collecting loans from veterinary medicine students for the first time in the history of the institution, as a result of the loss of that options program. They just literally are not able to make payments of such a large monthly amount. We have eased off on requiring payments of our university loans in order to allow them to keep pace with the Federal loans, and that gets difficult to do to some extent.

We have not had heavily indebted people graduating from our undergraduate school as yet. This is just coming on line now. In 1987-88 we are going to see the first people coming out with an undergraduate degree owing $14,000 or so. And if those people do not have a method of extending, they are going to have some real problems.

I also should mention, though, that I think some of that cost of extending payments is going to have to be borne in the outlying years by the students themselves, or the former students themselves, as they begin to pay back.

The Garanteed Student Loan Program is the single most important program we have at Iowa State. Students receive about $25 million a year at Iowa State in guaranteed student loans. If the loan was not available, Iowa State would not be what it is today in the sense of the size of the institution. However, we can have too much of a good thing. If the cost to the Government of the Guaranteed Student Loan Program begins to exceed where it is now, we are going to have problems maintaining a balance of financial aid programs.

In the part of my testimony I did not read, I indicated that a good program has to be balanced by work opportunity, by grant and by loan. The guaranteed student loan, because of the nature of it, enables Congress to pass on some of the costs into future years. It becomes very tempting to increase the benefits under that program with the idea that it does not affect this year's budget. Well, now, that has been going on for several years, and all of a sudden it has come around and, in fact, the cost of the Guaranteed Student Loan Program is beginning to squeeze other programs such as Pell and work/student out, and we are very concerned that that not become any worse than it is now. So, that's another reason for why we think that the former student probably is going to have to bear some additional cost in the outlying years when they can afford to pay.

Mr. CUNNINGHAM. Senator, obviously we support some consolidation provisions for the health of the program and, naturally, our corporation would like to participate in this program.

We do think that indebtedness beyond that of the student borrower must be looked at.

Senator GRASSLEY. What program did you say, specifically?

Mr. CUNNINGHAM. Consolidation, sir. We definitely support the consolidation——

Senator GRASSLEY. I thought you were referring to a narrower type of subject matter.

Mr. CUNNINGHAM. This is just the consolidation, Senator. As stated in our testimony, we do support it, and we do think that the Congress should look at an analysis that exceeds only the student debt, look at all of the individual's debt as well as their income stream, to make the consolidation program much more applicable.

To narrow in on only the student loan balances and use that as the sole determining factor for the extension of repayment of loans, we do not think is in the best interests of the program. We think that other areas need to be looked at. And, naturally, our corporation would be very interested in participating in that program.

Senator **Grassley**. Does anybody else have anything to add?

Ms. **Von Ahsen**. We would just like to reaffirm that we think it is very important that it remain with the consolidation program, the ability for the direct lender to be able to do the consolidation. We have found it very frustrating when, with the economic situation of Iowa, we have seen revenue and funding from a lot of our guaranteed student loans go out of State.

Senator **Grassley**. The next question, if I could have a yes or no—if you cannot, if you want to explain, OK. But I think I will ask each one of you for a specific yes or no.

Do you support a requirement that lenders report the existence of a guaranteed student loan to credit bureaus to help prevent highly indebted guaranteed student loan borrowers from unwisely taking on additional consumer loan debt? And this would be particularly when they are just now starting to pay back their loan.

Mr. **Sullivan**. Yes.

Mr. **Phipps**. Yes.

Mr. **Cunningham**. Yes.

Ms. **Von Ahsen**. Yes.

Mr. **Heffron**. Yes.

Senator **Grassley**. Then for the record, let me say, for the benefit of the reporter, that all five participants on the panel responded positively, yes, to that.

Several of you expressed concern about the unfairness of the treatment of farm families in assessing financial need. I would like to have one or two of you who have studied this to a great extent give me some specific changes that need to be made in how assets and capital gains are calculated for farm families.

Mr. **Heffron**. It is a very difficult area to address in the aggregate, although it is very easy to see the inequities that have resulted in specific cases.

Typically, in need analysis, what we are looking at is the total financial strength of the family, and we are looking at recurring income and an asset position. Capital gains are not recurring income in most cases. There are certain types of businesses that rely on capital gains for their annual ordinary income, but in most cases that is not true.

In a case of a sale of a farm or other capital asset, you have a capital gain showing up as income which is not a recurring item. You also have that same gain very likely showing up as another asset. It may be in the form of cash or some other asset, or a reduction in debt. So you get double counting of that.

Dr. Buettner, I think, said we should get rid of the untaxed portion of capital gains. Perhaps we should get rid of all capital gains, both taxed and untaxed, because it does, in most cases, result in that income being double-counted both as an asset and as income.

A more difficult issue is whether farm assets, or farm/business assets should be provided some different protection. In the need analysis formula there is a very substantial discounting of farm and business equity to protect the income-producing capability of that asset. The suggestion that they be discounted entirely is very difficult to deal with; however, if you look at the data we collect, it would indicate that most people who were engaged in farming would be a whole lot better off if they would take that equity they have and put it even in a 5¼-percent savings account and get the interest off of that; they could make a whole lot more money than what they reported.

The formula assumes people will make economic decisions such as that, that if you cannot make money on an asset in one form you will turn it into an asset of another form on which you can make money. Farming tends to be a matter of lifestyle and emotion as much as optimizing the return on investment in many cases. So in many cases the farmer will be hurt by the way the formula treats an asset.

I think the specific provision in the House bill for excluding capital gains or income received from voluntary or involuntary foreclosures is a very good one. It would tend to solve a great number of problems, without causing more.

Other things might be looked at. I would have to take a look at it closely. This is an extremely complex issue. But I agree that in cases where a farm family has sold land that has been held for many, many years there is a high capital gain on, for the reason of paying off debts, the need analysis formula hits them pretty hard, and that is not fair.

Senator GRASSLEY. Well, I do not know what the outcome of it was, but Senator Abdnor of South Dakota tried to address—I don't know if it was quite as specific as the point you made, but some aspects of this, as a rider on the farm bill, or else the farm credit system bill, whichever one it was, just before Christmas. And I am sure that if that had been kept in the conference report, you probably would have been notified of that through your associations. You don't know about it?

Mr. HEFFRON. I am not aware of that.

Senator GRASSLEY. My guess is, then, it probably did not survive conference, but it was adopted without any real discussion or concern except for a unanimous feeling that something needed to be done in that area. I would think that even if it did not survive the conference, it would indicate that we ought to be able to handle it easily on this bill, plus the fact that on some other areas where involuntary foreclosures and things like that have affected farmers on the alternative minimum income tax, we have been able to solve some of those specific problems through the Finance Committee.

I would now ask Patricia a specific question. I understand that the return of the guaranteed student loans is dependent to a large extent on the efficiency with which the loans are originated and serviced, as well as, of course, the volume of those loans. Do you find that your student loan return on assets is equal to other consumer loan products after losses?

Ms. VON AHSEN. It is not as profitable in the current market as what some of the returns on some of our other assets are. We are a very large bank It is much less profitable to some of the smaller banks who do not have the volume to offset a lot of the administrative costs. The full guarantee in a nonrisk loan does have a definite positive bearing on that return.

Most financial institutions, I think, view it as a service. We certainly do.

Senator **Grassley**. Then my next question would be a further refinement on the last statement you just made, to get a feel for how financial institutions might react—and I want to recognize that we, in Congress, know that lenders are facing several areas of increasing costs associated with guaranteed student loans, particularly the increased due diligence requirements of a multiple disbursements of loans.

If Congress were to reduce at the same time the special allowance by 25 basis points, do you think that lenders in Iowa will pull out of the Guaranteed Student Loan Program?

Ms. **Von Ahsen**. I think definitely smaller lenders would be forced to. You will, I am afraid, run into large out-of-State entities making more of the student loans, and that is where you have the big problem of repayment. You have a big problem on defaults. You know, the student identity gets lost in that. Even though we make a large volume of student loans, we do a lot of counseling. Financial institutions are customer-service oriented. We, ourselves, would probably not pull out. We have the volume and the expertise and the automation to handle student loans.

If there is a reduction, we would hope there would be a reduction also in some of the administrative problems, such as not requiring the continual processing of reapplications, and those types of changes. That would help offset that reduction.

Senator **Grassley**. Mr. Phipps, I appreciate your compelling arguments on why multistate guarantor activity should be limited. Has participation by outside guarantors in Iowa increased or decreased in the last couple of years?

Mr. **Phipps**. I would have to refer to my staff, and I think——

Voice. There has been an increase.

Senator **Grassley**. Would you repeat that, then?

Mr. **Phipps**. There has been an increase in outside guarantors coming into the State of Iowa in the past several years.

Senator **Grassley**. And, Patricia, I would appreciate your comments as a lender on whether or not you support eliminating competition from multistate guarantors.

Ms. **Von Ahsen**. I definitely do. We have had many students from our direct area come in with documents from out-of-State lenders that have been sent to them, not upon request, with no choice of which lending institution to go to. We have seen more problems with students coming in to us with these loans, which are not going to be handled as well. There is not an access problem in Iowa. There is enough competition among Iowa financial institutions to ensure access to student loans.

Senator **Grassley**. Mr. Sullivan.

Mr. **Sullivan**. Senator, I would like to respond to that as a customer of this service and for students who are also customers of the service. We think that competition within a State between guarantors has resulted in much better service. When one person has a monopoly over providing that kind of a service, the service begins to deteriorate very rapidly, and we think we have experienced that in the last 4 years in the State. With the entrance of an outside guarantor coming in, services have changed very rapidly for the better. So we think it has had a beneficial effect, and I think it would be a loss if they arbitrarily stopped outside guarantors from coming in. I think there probably ought to be rules that ensure that those that do enter into competition are solid organizations that are not going to go bellyup, or something similar to that, in the process. But that has not been the case to date.

So we have a difference of opinion. We know that. We talk about it all the time amongst ourselves. And it is just a point of view: Are you on the receiving end of the loan, or are you on the extending end of the loan?

Senator GRASSLEY. Mr. Cunningham, you are someone who has fought the battle at the Department of Education and won the battle to obtain tax-exempt financing for student loan revenue bonds. So my question is: What do you think of the House provision which takes this decision out of the hands of the Department of Education and—I think I am right—that it would allow the Governor and the State-guarantee agency to determine whether to allocate a portion of the State's cap on tax-exempt bonds to finance the student loans. Is that understanding on my part correct?

Mr. CUNNINGHAM. Yes, Senator, that is correct.

First of all, we applaud the removal of the U.S. Department of Education from this process, and we would support the inclusion of the Governor in this decisionmaking process.

Student loan revenue bonds are currently classified under the State cap under the deficit reduction act. We feel that it is only appropriate at a State level that the executive branch of the State be allowed to determine how they wish to allocate that capital.

Senator GRASSLEY. Mr. Sullivan, unlike other campus-based programs, the supplemental educational opportunity grant has no matching provisions. Now, the House bill, however, requires a new graduated institutional match up to 20 percent, I believe. So I would like to have your comments on that proposal.

Mr. SULLIVAN. We have no problem with that at all.

Senator GRASSLEY. Further, Jerry, what do you think about the provision in the House bill to use college work-study funds for private-sector jobs?

Mr. SULLIVAN. I really don't see a major problem with that. Obviously, that is not a comment that represents the particular sector that I come from. I think proprietary institutions have a legitimate role in the Higher Education Act, and it seems to me that the specific provision, that they be allowed if it is used only for student services within that institution, is a reasonable restriction.

Senator GRASSLEY. A further question, Mr. Sullivan. The House excludes unemployment benefits from untaxed income and from the Job Training Partnership Act, dislocated workers' benefits from the needs analysis.

Do you feel that that ought to be adopted by the Senate as well? Or I guess another way to say it is, do you think the House should have adopted it?

Mr. SULLIVAN. Well, I am not sure I can answer that Senator. I wold like to go in and run the numbers on that and just see what the impact is.

Senator GRASSLEY. We could have you, if you could do that in a short period of time, over a few days——

Mr. SULLIVAN. Be glad to do it.

Senator GRASSLEY [continuing]. Give us a written response on it. I would like to ask—I think maybe it would be appropriate if Mr. Heffron would comment on that as well.

Mr. HEFFRON. Yes. I would like to comment on that. It may be appropriate as an eligibility criterion for some particular type of aid, to exclude certain kinds of income. For example, in the Pell Grant Program typically only one-half of veterans' benefits have been considered, because the consideration of all of it would exclude veterans from Pell grants.

This may be a very appropriate decision to make for eligibility for a specific program. But when you are talking about need analysis, your income is income. If it is there, it is there. If it is not there, it is not there. It does not matter what source the income comes from. The $300 a month you get from this source is the same as far as spending goes as a million dollars from this source. So when you are talking about needs analysis, I don't think anything should be excluded, because it is up to each program to determine what they want to use for their eligibility criteria. Need should be independent of any particular program.

Mr. SULLIVAN. Senator, I might mention that this is probably a good example of why we should not be mixing program eligibility criteria with need analysis. It begins to confuse the issues, and that is what we have done to a certain extent, more so in the House bill than we have in the Senate. The Senate at least left the Pell formula out, but it has left the Guaranteed Student Loan Program needs test in as part of the need analysis. And this is just one little issue of many that keep on coming up. So it is better off to separate them.

Senator GRASSLEY. I have no further questions. I want to thank you all very much for your participation, and remind you, as I told the previous panel, that if you have anything to add or corrections that you want to make, you will have a couple of weeks to do so.

Before I call the third and final panel, I am going to, for the benefit of myself and the benefit of the stenographer, take about a 4-minute break, but when I say 4 minutes, I mean 4 minutes, because I have to end on time. So we will want to start just as soon as we can.

[Brief recess.]

Senator GRASSLEY. I will reconvene the hearing, and thank everybody for their tolerance while we took a short break.

I will now call our last panel, and I would ask them to come, as I did the previous panel, as I announce them.

Mr. Keith Stepp, who is president of Iowa State University Student Government. Please come forward and sit down.

I want you to know that one time I ran for president of the student body of Iowa State Teachers College, but I lost. So you are to be congratulated on your victory at such a young age. I had to wait until a later time in life to enjoy the fruits of victory of a political nature that you are already doing at such a young age.

Ms. Kathie Wyatt, director of cooperative education of the University of Iowa.

Dr. Fred Gilbert, whom I have known for a long time and who has frequent contact with our office. He is assistant dean of education, and he is specifically director of the TRIO programs at Iowa State University.

And then we have Ruth Green, and Ruth is vice president for institutional research and planning at Morningside College in Sioux City.

So would you folks proceed? I think you know what the ground rules are, so I will not go into those. I want to particularly thank you for your patience, to be on the last panel, and you have been here for the whole hearing as well.

So, President Stepp, would you proceed?

STATEMENT OF KEITH STEPP, PRESIDENT, IOWA STATE UNIVERSITY STUDENT GOVERNMENT; KATHIE WYATT, DIRECTOR OF COOPERATIVE EDUCATION, UNIVERSITY OF IOWA; FRED GILBERT, ASSISTANT DEAN OF EDUCATION AND DIRECTOR OF TRIO PROGRAMS, IOWA STATE UNIVERSITY; AND RUTH GREEN, VICE PRESIDENT, INSTITUTIONAL RESEARCH AND PLANNING, MORNINGSIDE COLLEGE

Mr. STEPP. I am Keith Stepp, and I am president of the student body here at Iowa State.

I would like to thank you, Senator Grassley, for the opportunity to talk to you today on behalf of the students of Iowa concerning the reauthorization of the Higher Education Act, and specifically about the continuing need for Federal student financial aid programs.

For a starting point, let me say that I graduate from ISU in May with a bachelor of science in industrial engineering, and that I have never received or applied for any financial aid to finance my college education. I have been blessed with parents who have been willing to make sacrifices for themselves to insure that their children, at least, had the opportunity to earn a college degree. With the support that my parents have given me and by working summers in an underground coal mine, I have made it through college.

From my background you might expect that I would be one of the people who would oppose need-based financial aid and favor academic-based aid. You might expect that I would be one of the people who write those letters to the editors of newspapers complaining about how I didn't receive any of this aid that my parents or my tax dollars are paying for, and how we should go to an academic-based aid program. You might expect that I would have this attitude, but I do not.

I believe very strongly in our current Federal financial aid programs. As I said, I have been very fortunate in having the ability to attend this university and not have to have public aid, but a lot of students aren't as fortunate as I. The sons and daughters of Iowa farmers cannot ask their parents for help, because their parents are having trouble hanging on to their homes and land.

A student cannot fully support himself or herself in college by working part time at a minimum wage job, and it is not that students are not trying. Nationwide, one-half of all college students now work while in school, and that figure is higher here at Iowa State, according to the Student Affairs Research Office.

Need-based financial aid is the only means that a large segment of our population has of gaining a college degree. If the appropriations are cut in the manner called for in Gramm-Rudman and by President Reagan's budget, only the very poor will benefit from the aid, so they will have a chance at a college degree. The rich will be able to afford the rising costs of public and private colleges, so they will always have their chance at a college degree. It is the middle-class students who will be effectively locked out. The sons and daghters of Iowa farmers and the working class will not have the opportunity.

At the University of Iowa it is estimated that the Gramm-Rudman deficit reductions will eliminate 1,000 students who currently receive Pell grants.

At the University of Northern Iowa it is projected that as many as 750 students will be forced to leave school.

Here at Iowa State, $1,316,000 in student aid is expected to be lost next year.

I realize the economic constraints that are facing the Federal Government. I do not want to sound like a greedy person who wants money only for students, at the expense of everything else, but it is time to stop viewing appropriations for education as an expense. It is an investment. It is an investment in people and in our Nation. How many graduates of colleges, professionals, would be in their position without the assistance of Federal financial aid? Federal financial aid is an investment by the people of America in the future of our country.

A misconception that I would like to address is the idea that students don't understand financial aid, that we do not know the difference between a GSL and a Pell grant, that we just sign on the dotted line when our financial aid officer tells us to. Do not buy it. We know exactly what we are getting into. We understand the mechanics of guaranteed student loans and that they have to be paid back. We understand that a Pell grant is a grant. We understand the student aid programs, and we appreciate them.

Additionally, I would like to comment on on-campus employment or college work-study. In my opinion, this is the best form of financial aid, since it allows students to work for their college education. At Iowa State each year there are more students qualified for work-study than there are work-study jobs. Being an engineering major, I also appreciate the value of cooperative education, but enough of it is not available for students.

Finally, I would like to comment on reauthorization itself. I am not a financial aid expert and have not attempted to address any of the technicalities of the bill. It is obviously a pro-student bill and will be very effective if all the funding levels called for are met with appropriations.

The only section that students have a concern about is the definition of an independent student with the age criterion of 23. Although it will not be a significant problem at Iowa State, I do not believe that how old a person is can or should ever be an indication of financial condition.

Senator Grassley, thank you for your time, for your consideration, and for this opportunity.

Senator **Grassley**. Thank you, Mr. Stepp.

Ms. WYATT. Senator Grassley, thank you.

Thank you for the opportunity to express my views today regarding cooperative education and specifically title VIII of the Higher Education Act. The statements I will make today are a summary of the interests of the University of Iowa and the 2-year and 4-year colleges and universities in the State of Iowa.

I am past-president of the Iowa Association of Cooperative Education. Let me also state, however, that these views are generally consistent with those held by members of the Midwest Cooperative Education Association, of which I am president-elect, the National Cooperative Education Association, Legislative Affairs Committee, and Dr. Ralph Porter, who is president, National Commission for Cooperative Education.

There are two main points that I would like to make about the proposed cooperative education legislation.

First, we are wholeheartedly behind the legislation as it was written, which you introduced in June 1985. The categories of grants, including resource centers, and the percentages of Federal share are positive improvements.

Second is a point that needs to be made in reference to title VIII, section 803(a)(1)(B), as it appears in Senate bill 1965.

Differing from your original proposal, the Senate bill includes "grants for the conduct of demonstration projects designed as partnerships between comprehensive cooperative education institutions and non-comprehensive institutions. There is a very strong feeling against this.

Let me expand first on the widespread support of the bill in general. Cooperative education has been proven an effective educational strategy for the following reasons:

No. 1, students obtain the education and financial assistance they need;

No. 2, institutions develop meaningful linkages with business, government, and industry; and

No. 3, employers impact education and recruit potential employees.

The Cooperative Education Act, in that it promotes the expansion of cooperative education programs, brings these benefits to society. Reauthorization and the appropriation of funds will increase the impact of cooperative education on the national economy and the American work ethic. The Federal Treasury will continue to see a 900-percent return on investment through revenue generated by cooperative education student earnings.

The University of Iowa has received a total of $982,455 in title VIII grants. This includes 5 years of administrative grants and a 3-year demonstration grant. Let me profile for you the impact this funding has had on cooperative education at the university this year, keeping in mind that no program existed for us prior to 1975.

No. 1, more than 1,000 students will have worked one or more cooperative education semesters this year.

No. 2, over 600 students obtained application materials during a 3½-month period this fall alone.

No. 3, some 575 different employers hired UI co-op students, among them Deere, IBM, Amana, McGladrey, Norand, Rockwell, AT&T and the Gazette, to name a few.

No. 4, students earned over $1.5 million in wages.

No. 5, 72 different majors were hired, including those in the arts, humanities, and social sciences, as well as the technical and professional fields.

We have experienced 20-, 30-, and 40-percent growth rates in student and employer interest. With the Gramm-Rudman cuts and the National Ad Council's campaign for cooperative education, the public's awareness and demand for cooperative education will continue to increase.

The University of Iowa will be able to respond. I am concerned, however, that the colleges and universities in the State and elsewhere who have not taken advantage of title VIII funding to seed development of cooperative education will be hard pressed to respond.

We need reauthorization of title VIII.

Let me discuss now the details of title VIII in Senate bill 1965. Section 801, appropriations authorized, and section 802, grants authorized, which we support, provide the appropriations, reservations, grant amounts, and application criteria that are necessary to meet the needs of applicants and to make the administration process manageable.

I would strongly support, however, that part (1)(B) of section 803(a) authorization be struck. This is the section that refers to the creation of partnerships under demonstration and innovation projects. The goal of this provision is not totally clear. Consultation and mentorship is occurring in the field generally at the initiative of the funded school or training center. To add the partnership concept in the bill opens a third door to institutions to pursue a category of funding that is self-serving, while creating a dependent relationship rather than a collegial relationship with its partner institution.

Most cooperative education practitioners view this as maintenance support to the co-op giants rather than as developmental funds for beginners. The idea of mentorship or partnership activities could be included in section 802 part (4)(d), factors for special consideration of applications.

In closing, to say reauthorization of the Higher Education Act is important, is an understatement. It has benefitted us in the past and laid a foundation upon which to build. Its reauthorization signals the importance of higher education to our future, and cooperative education is one of the means by which Americans can become more competitive in the world marketplace.

Title VIII has a significant role to play as we pursue excellence in education, seek ways to strengthen education and business, and assist students in obtaining the education they will need for the future.

Thank you.

Senator **Grassley**. Dr. Gilbert.

Dr. **Gilbert**. Thank you. I would like to, first, express my appreciation for the opportunity to provide some input to the Senate version of the Reauthorization of the Higher Education Act of 1965.

I would like to also start out by indicating the importance of the TRIO programs to the State of Iowa, by pointing out the number of students that are presently served by the program in the State of

Iowa. Basically, right now we have 7,231 students receiving services throughout the State in all of the Congressional Districts within the State, which include such cities as Cedar Rapids, Dubuque, Ames, of course, Iowa City, et cetera.

I would also like to point out briefly why I think these programs have to be reauthorized in their present conditions.

First, the subcommittee Senate bill present language indicates that there would be a funding authorization level of $188 million. That is a little bit less than the House version, which is $400 million a lot less, to be exact.

I found, through discussing with subcommittee staffers, that the intent of the Senate subcommittee legislation was to provide the programs funding at their current levels. It that is the intent, the current proposed 5 percent increase would not do that. At a minimum, it would seem to me that one would have to at least consider a cost-of-living allowance as well as a inflational index factor to ensure that the programs would be able to continue to operate at their present levels. Without that, I would be hard-pressed to be convinced that programs could continue to maintain their present level of services.

Also, I would like to indicate that discussions with the subcommittee members again also indicates that there was a desired intent to also leave programs as they presently were, because they felt that there were no current problems. However, as the administrator of the TRIO programs, I have, in fact, found some current problems. One of them is, I would like to suggest that the Senate understands the H.R. 3700 recommendation that we change special services' name from "special services for disadvantaged students" to "special services support programs," which, therefore, takes away the negative connotation that most people attach to the word "disadvantaged," and therefore providing the opportunity for more students to receive services from the program.

I also recommend the consideration of the recommendations made by the House in H.R. 3700, which would include considering such factors as the eligibility of first-generation students. By definition, that means that neither parent has graduated from a 4-year degree institution. However, the present legislative language makes it difficult to verify, because one has to consider a child's parents education even if the parents are divorced or separated. As a result, you have a participant who is living in a house with their mother or father—one step, one biological—and the step-parent has a degree, and they are not getting access to that, so it is causing confusion. As a result, I would like to recommend the current House language.

I would like to also indicate that I think it is important to ensure the serviceability of the programs that we also consider the recommendation of two new activities that the House has recommended, upward bound and special services, which would allow them to designate assistance to students who are currently enrolled in 2-year institutions.

I would also like to again thank you for the opportunity to give my opinions.

[The prepared statement of Dr. Gilbert follows:]

TESTIMONY
SUBMITTED BY

FRED D. GILBERT, JR., PH.D.

IOWA STATE UNIVERSITY

TRIO PROGRAMS

FEBRUARY 11, 1986

I would like to express my appreciation for this opportunity to provide input into the Senate version of the re-authorization and revisions of the Higher Education Act of 1965. (S. 1965). It is my understanding that the Senate Subcommittee have made the following recommendation for re-authorization:

PRESENT SENATE SUBCOMMITTEE LANGUAGE

> SEC. 126. Section 417A(c) of the Act is amended to read as follows:
>
> "(c) For the Purpose of making grants and contracts under this subpart there are authorized to be appropriated $188,339,000 for fiscal year 1987, $197,756,000 for fiscal year 1988, $207,644,000 for fiscal year 1989, $218,026,000 for fiscal year 1990, and $228,927,000 for fiscal year 1991."

The above represent a 5 percent increase for each year.

This proposal will be presented to the full committee in early March of this year.

It is also my understanding that the subcommittee is satisfied with the Trio Programs. Therefore, they have made no recommendations addressing policy matters.

First, I will address those recommendations made by the subcommittee and **secondly**, I will address those issue that in my opinion, should have also been addressed by the Subcommittee.

FIRST - PROPOSED RECOMMENDATIONS

> "(c) For the purpose of making grants and contracts under this subpart there are authorized to be appropriated at a level which reflects a cost of living allowances and inflation factor based on FY86 budget appropriation levels for fiscal year 1987 and the same level as will be necessary for each of the four succeeding fiscal years

1. RATIONALE

In discussion with Aids of the Senate Subcommitee, I was informed that the intent of their recommendations were to maintain the programs at level funding. In keeping with this intention it would seem to me that in order to allow these programs to maintain level funding their authorizations levels have to be at a minimum the same level cost of living allowances and inflation indexes based on Fiscal Year 86 funding level for each of the years in question.

2. RATIONALE

The size of the TRIO portion of the budget is so small that difference of 5, 6, or 7 percent would only make a difference to the programs and the students receiving their services.

Because the proposed amounts are small enough that it would not amount to eight-tenths of 1 percent of the total budget. Therefore, this would not have any significant affect in trying to meet the sequestration of the Gramm-Rudman-Hollings Deficit Reductions Bill.

3. RATIONALE

Currently less than 10 percent of those eligible to receive TRIO services are being serviced (which means 90 percent or more of those people who need our services are presently not serviced).

SECOND - PROPOSED RECOMMENDATION

The following recommendations in my opinion should have been made by the Subcommittee are intended only to clarify legislative intent. To assure consistency in the treatment of all TRIO programs this Committee should consider the following recommendations:

1. "First generation college student" is defined in the bill as

   "(A) an individual both of whose parents did not complete a baccalaureate degree, or

   (B) in the case of an individual who regularly resided with an received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree."

   1. If either of a student's parents who resided with that student has completed a baccalaureate, that student would not meet this criterion.

2. With respect to students eighteen and under, the Committee intends that only natural or adoptive parents who are currently residing in a household with the student be considered in determining whether the first generation criterion is met.

3. With respect to students over eighteen, eligibility should be determined on the basis of the student's household of residence prior to the student's eighteenth birthday.

4. "Special Services for Disadvantaged Students" projects in the midst of multi-year funding cycles should be continued as "Student Support Services" programs without being required to submit a new application.

5. The bill lists services which may be provided by Upward Bound and Special Services projects.

    1. Recommend that the Committee adds as a permissible service under Student Support Services (8) activities designed to assist

students currently enrolled in two year institutions in securing admission and financial assistance for enrollment in a four-year program of postsecondary education."

EXPLANATION

In keeping with the wishes of the intended legislation, I would like to also submit another one of the recommendations that would be:

1. The Committee wishes to emphasize that in utilizing a first generation eligibility criterion, it does not intend to burden applicants for TRIO services.
2. The determination that an applicant has met this criterion should rest solely on a written response by the applicant or the applicant's parents to an inquiry regarding the applicant's parents' educational attainment on the application form used by each local project.

(EDITOR'S NOTE: In the interest of economy, certain supportive documents accompanying Mr. Gilbert's statement were retained in the files of the committee.)

Senator **Grassley**. Thank you.

Now, Mrs. Green.

Ms. **Green**. Thank you, Senator Grassley, for this opportunity to speak about title III of the Higher Education Act of 1965.

INTRODUCTION

Title III has a 20-year history of providing direct grants to institutions and consortia of institutions of higher education, both private and public, to strengthen academic programs, to enhance services for students, and to improve administrative operations, including the development of a planning, management, and evaluation capability and improvement in the fund-raising ability of the colleges and universities. For the first time, a program was established to allow an institution to determine its own future and to provide the funds for the various required activities to achieve that future.

Title III was established as a "CHANGE" program to assist higher education institutions in providing equal educational opportunity for all citizens and to adjust to the pressures of preparing these students to meet the demands of the emerging high tech information society of the late sixties, seventies, and eighties. Title III mandated the involvement of the president of the grantee institution to insure the development, adoption, and implementation of the "CHANGE" policies. However, the actual management of the program could be delegated to a title III coordinator, who reported directly to the college or university president.

The title III programs, first the basic, as authorized in 1965, then the advanced, which came in the 1972 amendments, the strengthening, and then finally, the three current ones that we now know as parts A, B, and C. These programs have been very important to small liberal arts colleges throughout the Nation. It is a very important program to private liberal arts colleges in Iowa. It has been a program to give these institutions hope and the necessary funds to provide a better education for the students and the communities they serve.

Not only has this program developed institutions, but also people, by creating opportunities for personal and professional growth. It has strengthened the entire national higher education system by assisting the smaller members to implement positive institutional change, to assert their roles in educating disadvantaged youth and minorities, and to affirm their important position as a national educational resource.

Title III remains the only program in the Federal roster dedicated to the development of the whole institution. Institutions that have been awarded title III grants will continue to demonstrate for many years the positive impact of the confidence of the U.S. Department of Education with the infusion of sizable amounts of Federal dollars over a multi-year period.

In preparing this presentation, the title III sections of both the House bill H.R. 3700 and the Senate bill, S. 1965, were compared section-by-section, word-for-word. Comparisons were also made section-by-section with the 1980 amendments, Public Law 96-374. The proposed legislation clarifies the confusion of the various grants presently available under parts A, B, and C. There are a few differences between the two proposed versions, but these are minimal. One example, however, is in part B, section 323—grants to institutions, part a, on use of funds. The House allows in part 2 "construction, maintenance, renovations and improvements in classroom, library, laboratory, and other instruction facilities." The Senate does not list construction. Construction has not been an allowable expense under title III, and this would be a departure from original legislation. In addition, there are some comments which should be registered about critical issues not addressed in either proposed bill.

ELIGIBILITY

The issue of title III funds being awarded only for the development of black colleges will not be discussed in these remarks. The criteria for establishing eligibility is the first issue that I do want to comment upon, and my comments deal with technical aspects and data elements used in preparing the application for eligibility.

The initial step in the title III process of gaining eligibility is the most important one. It is evident that the use of quantitative methods to determine eligibility is the most logical, but the data elements should be examined. If the annual Higher Education General Information Survey Financial Report is to serve as the basis in computing the educational and general expenditures, it is possible for an institution to be penalized if it has been awarded title III funds previously which have become part of these E&G expenditures in the year being used as the statistical base. These funds can inflate the average expenditure per student. I propose deleting the Federal title III funds from the E&G expenditures total in establishing eligibility.

In our part of Iowa where college full-time enrollments are decreasing not only because of demographics but compounded by outmigration resulting from the depressed farm economy along with continually escalating educational costs, it will be difficult for colleges in our section to establish eligibility if enrollments and average costs per student are used as major criteria.

These criteria have changed over the years. Originally, eligibility was established by examining the institution's characteristics—for example, its library holdings, educational credentials of the faculty, along with selected quantitative data pertaining to characteristics of the student body. However, for the past 5 years these statistics involving the number of students receiving need-based Federal financial aid, and the average educational and general expenditures per full-time equivalent undergraduate student, in comparison with institutions offering similar instruction, have been used.

Specific eligibility requirements have differed slightly in parts A and B in the 1980 Public Law 96–374, but the principal difference was the inclusion of graduate students in part B, and a different comparison chart.

Currently, the only statement pertaining to eligibility in part B, strengthening historically black colleges, in the new legislation is contained in section 322, where it defines eligibility as: "The term 'part B institution' means any historically black college or university that was established prior to 1964, whose principal mission was, and is, the education of black Americans." This is the Senate version. And then the House goes on with an accreditation statement by a nationally recognized accrediting agency or association determined by the Secretary to be a reliable authority.

I believe that it is necessary for all institutions to make a formal application for eligibility, part A, part B, and part C. I believe that this eligibility certificate application must be submitted. Title III should not be considered an entitlement program, but should continue to provide funds for the development of higher education institutions needing assistance in the stabilization of the college through strengthening the academic program and improving services for students and enhancing financial management

To summarize:

PART A

No. 1, delete previously awarded title III funds from the HEGIS educational and general expenditures total in determining title III eligibility.

No. 2, include other institutional characteristics as criteria for eligibility.

No. 3, use all title IV recipients when figuring the percentage of students receiving Federal financial aid.

PART B

No. 4, black institutions should submit some verification of eligibility to apply for title III funds.

GENERAL COMMENTS

Both versions of the proposed reauthorization of title III eliminate the confusion between parts A, B, and C created by the current law. The Senate version of the reauthorization is concise, clearly written, and a great improvement over the House. There are few issues to resolve between the two versions.

It must be brought to the attention of both bodies that under part B black colleges and universities will no longer be in competition for funds but will receive an allotment based upon Pell grants for an unspecified period of time, certainly for the duration of this legislation. This is defeating the original purpose of the title III legislation in moving an institution to a developed status, which implies no longer needing title III funds to survive, by making part B of title III an entitlement program. To remove competition stifles growth of the institutions and the people making it up.

Another consideration is that the new legislation does not assist institutions not originally established as black colleges, but still traditionally serving a high percentage of black students. This could deprive a large number of black students from benefiting from Federal assistance other than student financial aid. It is true that these institutions could probably apply under the minority provisions in part A, but there really are no incentives for these nonminority institutions to provide special programming to meet the needs of black students and other disadvantaged minorities.

Another concern deals with section 313—page 2 of the Senate version with title III grants continuing on a multi-year basis subject each year to the availability of appropriations. It is very difficult to plan systematic implementation of a multi-year program when funding may be pulled on one of the most crucial parts of the program. This has happened in institutions under the Special Needs Grant Program since its inception in 1981 with awards being made in 1982. Previously, multi-year awards were made with the total amount of the grant being set aside for the grantee institution. An atempt was made to spread title III funds among more institutions by making only annual awards. This has caused numerous management problems:

No. 1, all grant activities had to be rewritten each year, resubmitted, the budget negotiated each year by telephone, then budgets resubmitted agains within 5 working days, and then it was necessary to wait for review by grants management. Funds cannot legally be committed until official approval has been received which can take as long as 6 months. Morningside College has just finished a 3-year Special Needs Grant. In the second year of the program, the final year proposal had a submission deadline of February 2, 1984, for an October 1, 1984-September 30, 1985 fiscal year. At the time of submission, the second year budgets had not been approved (I believe the date for approval was March 21, 1984, with the fiscal year ending in September 30, 1984) so it is extremely difficult to manage the development of academic programs which involve additional faculty funded by the grant. It is also difficult for some institutions to assume the expense after the institutional budget has been set for the year.

No. 2, in a time when the intent is to reduce paperwork, the opposite results. I have found that more office time has been spent over the past 3 years in administering the Special Needs Grant than the other larger title III grant programs with which Morningside has been awarded.

Even though the program has had innumerable problems, it is the only total campus development program for colleges and universities in the U.S. Department of Education. It has been said that this has been the most comprehensive higher education legislation passed since the Smith-Hughes Act over 100 years ago. It has provided assistance to smaller institutions across the Nation is strengthening the academic program and assisting students to prepare for college level work.

Over the past 6 years, title III has become a victim of political bickering which has nearly destroyed a program which was responsive to the needs of colleges and universities across the country. The legislation must provide the foundation for this program to once agains serve higher education with simplified guidelines, rules, and procedures to insure efficient and effective management of these grants which will allow institutions to plan the use of scarce resources in significant ways.

I will at this point, Senator Grassley. I do have some other issues which I will write up and send in to you.

Senator **Grassley**. All right. Please do that within the next 2 weeks.

I will start now with you, President Stepp. I would like to ask you the same question which I earlier proposed to the college presidents.

There are no uniform academic performance standards prescribed for students to receive financial aid. The Senate bill requires a student to maintain a C average to continue to receive aid. Do you support or oppose this provision, and I would also like an explanation of your answer.

Mr. STEPP. I guess I will give you kind of the same answer that they did. I would like to see it based on each institution's own academic standards. For myself, I am not really big on academic standards because I have had troubles in my own academic career, even though I am successful in the end.

But I would think it would do a lot to allay some public concern over giving money to people who possibly will not finish their college career. If you give it to students who satisfy the university's academic criteria, there is a higher possibility of the students actually finishing their college education.

Senator GRASSLEY. On another point, do you have any evidence that adverse publicity of proposed cutbacks in student aid programs, even though they may not have been enacted, have kept students from applying for Federal aid, or even attending college?

Mr. STEPP. No, I do not think it has kept people from applying or attending.

Senator GRASSLEY. As a followup, do you support the House bill provision establishing a national center for postsecondary opportunities to assist in ensuring that information and counseling regarding Federal student assistance is readily available to students, parents, and other individuals?

Mr. STEPP. Since I am not that informed about the national center, I would have to wait and give you a written answer after I have researched it.

Senator GRASSLEY. That is perfectly all right. You know the question, so we will not have to submit it to you in writing.

Mr. STEPP. Exactly.

Senator GRASSLEY. Is the fear of—again to you—is the fear of incurring unmanageable indebtedness from borrowing for education having an effect on students' decisions to pursue graduate or professional programs?

Mr. STEPP. I do not think so. Once it comes down to the point whether to go ahead and get the degree or not get the degree, how far in debt you are going to be really does not play a big part in your thinking. I do not think so.

Senator GRASSLEY. Do you think that extending the grace period for repayment of the guaranteed student loan from 6 months to 9 months will keep some students who have trouble getting employment after finishing a degree from defaulting on loans that maybe they would otherwise default on?

Mr. STEPP. Yes. Mostly for the same reason that financial aid administrators gave you earlier.

Senator GRASSLEY. Kathie, I have some questions for you, on cooperative education.

The Department of Education bill, which I introduced and which you referred to, allows institutions to reapply for administrative grants after they have fulfilled a funded cycle and maintained the program for at least 2 years with institutional, non-Federal money.

This program was accepted by both the House and the Senate, or at least is in both the House and the Senate bills.

Do you think that this provision will help Iowa cooperative education programs expand to serve more students in more curriculum areas?

Ms. WYATT. Definitely. What it also allows is for a period of adjustment and, as I have managed my program over the last 8 years, there are ideas that have come to the fore that we did not have previously, and what that 2-year lapse does is allow us to readjust to the changing needs of the faculty and students on campus and to possibly get funding for an innovation, as well as it wold continually expand to all of the students in all of the colleges and universities.

So it would be very positive.

Senator GRASSLEY. My bill, as well as the Senate reauthorization proposal, reduces the Federal share of the first-year grants to 90 percent, thereby requiring applicants to make an up-front 10 percent match.

Do you think this provision will help build accountability commitment at the institutional level?

Ms. WYATT. Very definitely.

Senator GRASSLEY. The Senate bill has a provision to extend Cooperative Education Program participation to students at 2-year institutions who are enrolled at least half time in certificate programs. If adopted, I would like your opinion on how this provision might impact on Cooperative Education Programs.

Ms. WYATT. I know our 2-year schools within the State are in favor of that. It, again, would offer it to more college students, whatever their degree program is. I also see more and more transferring occurring. And so it would be in keeping with the continuity of what we are doing at that level, and at our postgraduate degree level as well.

Senator GRASSLEY. When I was preparing to draft my bill which ended up being 1338, I believe that you provided my staff with recommendations including a suggestion that institutions report program data upon reapplying on such things as the number of students in the program, the number of employers, cost per placement, student incomes, and a lot of other things. This provision has now ended up in both the House and Senate bills, and so on reflection I would like to know if you think that it will strengthen accountability within the programs.

Ms. WYATT. Yes, I do.

Senator GRASSLEY. Also, I want you to know that I appreciated, in your remarks, your opposition, and also that of the cooperative education community, to the language of the bill allowing the so-called partnership between comprehensive and noncomprehensive institutions. And, of course, I totally agree with you that this is a self-serving approach to maintenance of larger institutions that have been involved in the program for a long period of time and, quite frankly, I think the 20-percent set-aside would just be a giant grab by one or two institutions in the Northeast.

Do you feel that the place for large institutions to assist smaller programs is more properly in the training grant function?

Ms. **Wyatt**. Very definitely.

Senator **Grassley**. And that is beyond a personal opinion and would be a view of your association as well?

Ms. **Wyatt**. Yes.

Senator **Grassley**. Now, you and your institution are one of the few Iowa institutions who have successfully competed for comprehensive grants. How has this grant helped you turn your Cooperative Education Program into an institutionwide program and, additionally, I would like to ask if you can tell us which curricula at the university serve the most students in cooperative education?

Ms. **Wyatt**. We have gone from 200 to 1,000 students in 3 years, and that is students out on work assignments. We could not have done that without the demonstration grant moneys. We also went from approximately 18 different majors to 72 majors, and 75 percent of those are in the College of Liberal Arts. I pretty much get up on the bandstand and say that our job is for liberal arts students, but people do not believe that. They are in more defined areas—journalism, communication, engineering, business fields; less in the classical areas, but there are some. We are developing opportunities in the arts, in the history area, political science, and so on.

So it has been a direct impact on immediate growth, and a slower impact in terms of breadth.

Senator **Grassley**. In regard to cooperative education, of course we are interested in keeping students from dropping out even before Federal funding ends. I would like to have your suggestions on how we could increase institutional commitment that will keep these programs operating for the betterment of our students.

Ms. **Wyatt**. I think the percentage is up some. This year we were only 22 percent soft-funded, and that is a strategy that I use, that it is much easier if the institution is prepared for that slowly built-in pickup, rather than an immediate next year we have to pick up 75 percent. So much is left to the co-op practitioners to market the program, market the idea to central administration. I think funding of research and funding of training centers would help us on a global scale—on a national scale—better.

It is difficult. I am sure you found, when you began to pull together what is the impact of cooperative education nationally, those figures are not readily available. I know we are interested in pursuing research.

Senator **Grassley**. Dr. Gilbert, I have to ask you about educational opportunity centers. You know that the House bill eliminates the current requirement for 25 percent institutional match for funds for these centers. Even in light of what I said this morning about some reprioritizing the budget away from defense into maintaining existing programs, I suppose it is realistic to think in terms, in our current budget evironment, where additional funds—and I would stress additional funds as opposed to maintaining current programs—might seem unlikely, I would like to ask if this is a proper funding priority within the TRIO Program?

Dr. **Gilbert**. Well, EOC centers have always had a unique posture from the outset. They are the only one of the four TRIO Programs that do not have matching funds from the outset, but that has always been the posture.

I think one of the concerns, and the reason that the House proposed this, is because a lot of these places, or a lot of these centers, are funded from community-based settings. As a result of that, funds are tightening up at the local and State levels, and they don't have the matching funds, but the need is still there.

So it is difficult for me to say that that is not a need. It is just something that is unique, so I would say that it is something that is needed, even though it may not be a good time to do it.

Senator **Grassley**. The Senate bill repeals, Dr. Gilbert, the veterans cost of instruction program, which has been only minimally funded, as you know, and it has been directed at institutions to help defray extra instructional costs.

Now, instead, the Senate would extend authority for the TRIO special services programs to provide counseling and other outreach services to disadvantaged veterans and increase funding to do so.

Do you think that this is a positive change, and can the TRIO programs effectively serve veterans in Iowa if this change were to become law?

Dr. **Gilbert**. I think they can serve, but I think there are a lot of administrative problems that would occur with the mixture of these types of clientele, because veterans have unique needs as opposed—Well, first of all, you are dealing with adults in most cases, as opposed to 18-, 19-, to 21-year-olds. As a result of that, there is a different type of approach that should be given them, in terms of counseling, advice, et cetera. And also they are handled differently as opposed to the younger population.

So if you mix the two, I think you are still almost going to have to have the same two different types of staff, or it would take a while for one staff to make that transitional approach to the needs of the clientele.

Senator **Grassley**. Further, Dr. Gilbert, the 1980 education amendments required that prior experience of an applicant be given preference in the funding of TRIO programs. This was to ensure continuity in service.

Is it necessary to continue this requirement in the reauthorization of TRIO, and if you think it is, I would like to have an explanation.

Dr. **Gilbert**. Yes, I do think it should be continued, because I think you get into two different problems. One, you get into capabilities of a program. When you have reviewers that come in to review a proposal, they will look at the proposal and say, "This cannot work," but it has been working for the last 5 years. As a result of that, the scorer would say, "Well, I'm going to only rank this proposal such-and-such." Well, when they see that this proposal has been around for the past 8 or 9 years and has been successful at demonstrating particular ideas, they become less prone toward that, and think the programs that have been around and have demonstrated effectively in the past, have the ability to continue and not be judged solely on what they say.

Because what had been happening in the past, prior to that authorization, was that a programmer would write a good program, but then would not deliver necessarily, and then they would say, "OK, well, I think this sounds better than this. But we don't know that this will work, but we know that this will."

Senator **Grassley**. And lastly, Dr. Gilbert, referring to the administration's 1987 budget, once again that budget has proposed a consolidation of TRIO and some other higher education programs into Outreach and special services programs. I would like to have your comments on the advisability of consolidating the programs within TRIO.

Dr. **Gilbert**. I think it is kind of difficult, especially when you look at the kinds of programs. TRIO basically works with high school students in and around both rural and urban areas. The kinds of programs that the President has recommended mixing or consolidating include such programs as migrant workers' children, et cetera, et cetera. The combination just does not fit.

I think it may be an attempt to consolidate, but I think one should be a little more concerned about the effect of consolidation of such programs. They all have very different purposes, very different approaches. As a result, I think it would be very difficult to impossible to make the combination work.

I think I should also address the fact that not only was the combination put there, but it was put there with less than half the present amount of funding. So it would seem to me to be immensely impossible to do such a monumental task with less than half the funds.

Senator **Grassley**. Thank you, Dr. Gilbert.

I have a couple questions—maybe three—of Mrs. Green, and that will be the end of my qestioning.

The first topic I want to talk about is challenge grants. These were originally created to help developing institutions that have small endowments and have difficulty in funding programs of improvement.

Have Iowa institutions been successful in using the matching funds of the Challenge Grant Program to boost their fund-raising efforts?

Ms. **Green**. Do you mean to boost their endowments?

Senator **Grassley**. Yes. Well, endowments, or if you use another term other than endowments.

Ms. **Green**. Originally, I think the activities available under part C of the challenge grants were similar to the activities that were proposed under part A or part B, but you just needed to bring in matching. And that could be for curriculum development or faculty development or whatever the institution would desire.

However, then the Endowment Grant Program moved into part C and, to my knowledge, there have been no awards made in the State of Iowa under part C. I know Morningside has not been able to become a grantee under part C.

Senator **Grassley**. The Title III Program has been particularly important to Iowa because of the high number of qualifying private institutions within our State.

Will changes in the House and Senate bill encourage or impede their continued involvement in the Title III Program?

Ms. **Green**. Well, depending on how the eligibility is set, I believe that it may impede participation of Iowa schools in title III. It is a little hard to know exactly what is going to be used as the eligibility for designation. But it will become more difficult, I believe. We would have to apply to part A in order to obtain any assistance in the total development of the private higher education sector.

Senator GRASSLEY. What chages would you make in title III to allow eligibility for institutions that are not classified as black colleges, per se, but that serve large numbers of minority students?

Ms. GREEN. Well, I believe that those colleges somehow should be placed within part B also. When one looks at the set-asides or the awards, who would apply under part A, which would be part of set-aside funds, I think there is going to be intense competition for those funds, and I believe that part B should involve those people as well as part A.

Do I make myself clear there, Senator? You see, they are now in the set-asides, and I think that schools serving traditionally—you know, large numbers of traditionally black students, should move into that part B sector. They should be able to avail themselves of that opportunity too.

Senator GRASSLEY. I want to thank you for your participation. Those are all the questions I have of the panel.

One or two of you suggested you would submit something in writing, and I would urge you to do that.

I should have made mention of my staff member, Sarah Thomas, who works in the area of education for me, so if any of you have an inability to get hold of me sometime, or anybody in the audience as well, you could get in touch with her at my office in Washington and visit about the programs.

In closing, then, I want to thank everybody for participating, particularly those in the audience who have sat through the entire 4 hours.

We will now, as a result of the stenographic recording of the hearing—if anybody desires copies of the testimony and the final record, we will be glad to send that to you if you would just notify my office.

We are still involved with this reauthorization before the Senate, and so the testimony here, particularly as it relates specifically to Iowa, will be very helpful to me. But more importantly, a lot of the problems brought out here, to the extent that there are some unique points of view for rural and agricultural America, will be very beneficial to the entire Senate, besides myself, in consideration of the reauthorization. I hope, in fact, we do get a reauthorization. There obviously is going to be a continuation of these very popular programs short of authorization, and I'm sorry to say that sometimes that happens, through the continuing resolution. I hope that we find the necessary time and that this program is high on the priority to see that it is done through the reauthorization process, so that you will know for the next 5 years the programs that you have to deal with, as opposed to just dealing with them on a very questionable basis on a year-to-year basis. I hope we can carry out that commitment.

So I want to thank everybody for participating and I now declare the hearing adjourned.

[Whereupon, the committee was adjourned at 12:35 p.m.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

FRIDAY, FEBRUARY 14, 1986

U.S. Senate,
Subcommittee on Education, Arts and Humanities,
Committee on Labor and Human Resources,
Laramie, WY.

The subcommittee met, at 10 a.m., in the University of Wyoming Student Senate Chamber, Wyoming Union Building, Laramie, WY, Senator Malcolm Wallop presiding.

Present: Senator Wallop.

OPENING STATEMENT OF SENATOR WALLOP

Senator Wallop. I welcome today's participants, both those who are providing higher educations and those who are paying for them. I also welcome our audience, my friends from Wyoming who are observing one segment of that amazing spectacle known as the legislative process.

This field hearing is devoted to the reauthorization of the Higher Education Act of 1965. It is being conducted by the Education Subcommittee, on which I serve.

Last December, the subcommittee approved a draft reauthorization bill, numbered S. 1965. That bill is now pending before the full committee, the Senate Labor and Human Resources Committee. This will be the last hearing on the bill before the committee begins its markup some time in March. I will state at the outset that witnesses should summarize their remarks in 5 minutes. While this may seem abusive, let me assure you that it is the only way in our allotted time that all may be heard. Your entire statement will be included in the hearing record.

The Higher Education Act was enacted 21 years ago. Its passage was a response to the financial needs of the baby boom generation which was just reaching college age. The act did provide specialized support for institutions of higher education, but its major purpose was to provide financial assistance to young Americans who wanted to continue their education beyond high school. Our society provides free primary and secondary school education—free in the sense that students have no direct costs. On the other hand, higher education has always had costs for the students. The Higher Education Act was one part of an effort to ensure young Americans more equal opportunity to pursue higher education. This was achieved through a program of student grants and loans to finance their schooling.

We made a collective decision that if a youth has the ability and desire, he or she should not be denied the opportunity to attend a college or technical school merely because the family lacked the economic resources to finance an education. The Federal student grants, in particular, are based on need. But even student loans have a needs assessment to minimize Federal subsidies to those who are able to finance their education.

Our Federal Assistance Program has been both popular and successful. Despite the fact that most of the baby boomers have already passed through our educational system into the work world, the number of students is greater today than in 1965. There are 12 million students today compared to 9.4 million in 1965. Of today's students, 30 percent receive Federal loans and 33 percent receive Federal grants.

Unfortunately, as with many other Federal programs, the student assistance program lurched out of control by the late 1970's. Federally subsidized loan eligibility was greatly expanded to include most middle-income families. Need rapidly became irrelevant in determining access to subsidized student assistance. This lack of restraint was yet one more contributing factor to the deterioration of our economy. While our youth faced few hurdles in attending college, they were confronted with an increasingly precarious economic world as they entered the workplace. The country was in need of a return to economic sensibility and stability. This has been the objective of Ronald Reagan's Presidency.

President Reagan has succeeded in his economic program, but we still face the challenge of gaining control over the bloated Federal budget. Over the past 5 years, there has been much wailing and tears as we attempted to reduce the growth in Federal spending. Please note I said reduce the growth in spending, not actually cutting spending. These last 5 years have not been a period of spending cuts, but rather very modest reductions in spending increases.

True, we have rearranged some priorities. But as recent news accounts indicate, the Reagan budget is not much different from what the projected Carter budget would have been in 1986. Some critics focus on defense as the area of new spending, while all other programs have gone by the wayside—but it is a cry without substance.

Defense spending in 1970 was 42 percent of the Federal budget. Today, despite the effort to rebuild our Armed Forces, the defense budget is only 27 percent of all Federal spending. On the other hand, Federal income transfer programs were 33 percent of the budget in 1970 and are presently 45.5 percent.

The Congress has an inability to deal with the budget. It actually came to an impasse last year in congressional paralysis. The remedy was the Gramm-Rudman Deficit Reduction Act. If the Congress will not act to balance the budget, as has been requested by the legislators of almost two-thirds of the States, including that of Wyoming, then the budget will be brought into balance by a series of mandated events culminating an automatic decrease in certain spending categories.

This is a drastic remedy. Some consider it worse than the problem, but offer no alternative solutions. The sequestering procedure that is the automatic reduction mechanism has been declared unconstitutional by a U.S. district court. The budget balancing responsibility has been thrown back into the lap of Congress. But the reductions are still mandated by law and both Congress and the President must act. Whether the judgment is upheld or reversed, budget reductions are still required, only the mechanism will change.

On March 1, the first sequestration will go into effect, regardless. It is a relatively minor cut in Federal spending, but our consciousness has been jarred. We now have a unique opportunity to set priorities on Federal spending. Today's hearing, however, is not about the congressional budget process. Nevertheless, budget issues are very much a part of the reauthorization of the Higher Education Act. We are simply not going to be able to add a lot of new spending to the act. This appears to be the consensus among all members of the Senate Labor and Human Resources Committee—Democrats and Republicans. Our responsibility is to determine what should be preserved, what must change, and what is the most sensible way to go about it.

I look forward to hearing your testimony.

Our first witness today is Donald Veal, president of the University of Wyoming.

STATEMENT OF DR. DONALD VEAL, PRESIDENT, UNIVERSITY OF WYOMING

Dr. **Veal**. Mr. Chairman, as president of the University of Wyoming, it is an honor to appear before you today to offer comments concerning the reauthorization of the Higher Education Act of 1965. This landmark legislation is vital to the operation of our university, and we sincerely welcome the opportunity afforded to us today.

I commend you for coming to Laramie to hold this hearing so that you might hear from the people of Wyoming on this significant legislation. We appreciate the personal interest of you, Senator Wallop, and the subcommittee in what we have to say.

We in Wyoming are particularly privileged to have our own Senator serving on such a significant subcommittee. As the only 4-year institution of higher education in our State, the University of Wyoming has the opportunity to serve people from all geographical regions, levels of economic well-being, and cultural backgrounds. It is from this breadth of experience and exposure that we offer our comments today. I hope that my remarks will provide you with the type of information that will allow you to gain a better understanding of the actual functioning and impact of these Federal programs on the citizens of our State.

As you have requested, my testimony will focus on title I of the bill to reauthorize the Higher Education Act of 1965, and I shall comment on the impact of the Gramm-Rudman-Hollings balanced budget process on Federal funding for higher education.

Perhaps the topic of most widespread interest in the education community relating to reauthorization is student financial aid. I would charactize our needs as more simplicity and more flexibility.

In the realm of simplicity, we join with students, parents, and financial aid officers around the country in recommending implementation of a single application document for all programs.

In S. 1965, the subcommittee has proposed use of a simplified application form for Pell grants for families with incomes under $15,000. If this means a separate document, we would oppose it on grounds that it would add to the present confusion regarding which forms a family must file.

Actions which might serve to simplify the process include: One, verification of only pertinent data; two, more procedural consistency among programs; three, reduced emphasis on tangential issues—such as the Selective Service registration verification which is now resolved, but which caused tremendous chaos earlier; four, renewed training initiatives for aid administrators; and five, increased scrutiny of regulations to reduce the administrative burden on financial aid officers.

One reform being discussed to simplify the application process would, in our opinion, disenfranchise some students. This is the proposed adoption of a single formula for determining eligibility for all Federal programs. It has been our experience that some programs are more suited to average-income families, while the grant programs and the other campus-based programs are generally considered to be beneficial to low-income families.

Senator Stafford's bill proposes to limit Pell grants to students whose family incomes are less than $30,000. Depending on how this is calculated, it could have a major impact. We question whether $30,000 would refer to adjusted gross or to gross. That needs clarification.

We wholeheartedly endorse your subcommittee's proposal to further reduce the frustration level of students and their parents by allowing institutions to recalculate a student's Pell grant award if there is an error in the application or if they have more current information. This would help administrators to make timely corrections to the student's Pell grant awards without having to wait for a corrected student aid report form from the central processor.

It is unclear whether targeting national direct student loan funds to students with exceptional need means that NDSL would be limited to those students, or simply spent first on those students. In either case, we would need a definition of "exceptional financial need." We would encourage use of NDSL funds, but we would not like to see NDSL funds limited to only those students who meet the definition, as long as funds are available after the exceptional needs have been met.

We are also concerned with the subcommittee's proposal to increase the annual loan limits for the GSL Program. In Wyoming, we hope that our graduates will find an economic climate conductive to helping them pay off the loans they have assumed. We all can take great pride in our Wyoming students, for we have one of the lowest student loan default rates in the Nation for both the GSL and the NDSL programs.

We are also concerned with the growing numbers of students on our campus who are desiring to declare themselves financially independent of their parents for purposes of receiving Federal financial aid. We would urge caution in establishing or modifying the criteria for determining financial independence by our students. While increasing numbers of students have legitimate claim to independence, there is a danger that other families would withdraw support just to reap the benefits of Federal funds.

We are in favor of the definition of Satisfactory Progress, that is the C average, proposed by Senators Pell and Nickles. By federally requiring a C average to remain eligible for Federal student aid, all institutions across the Nation would administer the requirement uniformly. We see that as possible.

A second area you specifically asked me to address was our perception of the impact of the Gramm-Rudman-Hollings budget cuts on our operations, and specifically on student financial aid. It is my understanding that the Gramm-Rudman-Hollings requirements will result in a first-year reduction of about 4.3 percent in all programs. Based on this, we would determine that it would have the following impact on the financial aid available to the students of the University of Wyoming.

For the Pell Grant Program, we anticipate a reduction of about $118,000 the first year. Because the students cut from the program would be those who are currently receiving small awards, we anticipate a lot of aid for somewhere between 70 and 150 students in that program.

For the SEOG, the student educational opportunity grants, we expect a reduction in the neighborhood of $14,300. Again, because the students which would be cut are those now receiving the smaller awards, we expect a loss of between 20 to 50 students.

For the College Work Study Program, a popular program because it requires the student to work for his or her award, we would expect a loss of about $17,300 in Federal matching dollars, which means between 14 and 25 fewer students could participate in the program.

For veterans programs, we calculate an approximate reduction of $38,000 which would have gone to serve about 12 veterans.

For various other miscellaneous Federal programs, we anticipate an overall loss of $4,600 causing the loss of aid to approximately to three additional students.

In summary we anticipate the loss of at least $192,000 in student financial aid. This reduction could then translate to a loss of aid for as many as 240 deserving students.

Senator Wallop, on behalf of the officers, faculty, students, and staff of the university, I want to thank you for this opportunity to share some of our thoughts with you concerning the reauthorization of the Higher Education Act of 1965. Thank you very much.

[The prepared statement of Dr. Veal follows:]

Material for Dr. Veal's testimony at Senator Wallop's field hearing
to be held in Laramie, Wyoming, February 14, 1986

Mr. Chairman:

As President of the University of Wyoming, it is an honor to appear before you today to offer comments concerning the reauthorization of the Higher Education Act of 1965. This landmark legislation is vital to the operation of our University, and we sincerely welcome the opportunity afforded to us today.

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Perhaps the topic of most widespread interest in the education community relating to reauthorization is student financial aid. I would characterize our needs as "more simplicity and more flexibility."

In the realm of simplicity, we join with students, parents, and financial aid officers around the country in recommending implementation of a single application document for all programs. We are becoming increasingly concerned that we are perilously close to exceeding the frustration level of our nation's students, parents, and aid officers because of the number of applications and other supporting documents that are required to be in an applicant's file to verify accuracy of information submitted. The verification requirement and process has increased the paper flow in an aid office by threefold.

In S. 1965, the Subcommittee has proposed use of a simplified application form for Pell Grants for families with incomes under $15,000. If this means a separate document, we would oppose it on grounds that it would add to the present confusion regarding which forms a family must file. The Pell Grant processor alone is using two separate application forms for 1986-87 (not to mention those produced by the private services). Introducing yet another choice for parents to make would be a step backward and not a simplification. The other federal programs would still require the full-length disclosure, not just the "five data elements," so low-income families would have to file two forms to apply for the full range of aid programs. Helping families to know what form to file would be virtually impossible since "income minus federal and state taxes" is not a figure widely used. It involves an initial calculation and documentation. Why complicate things more?

Actions which might serve to simplify the process include (1) verification of only pertinent data; (2) more procedural consistency among programs; (3) reduced emphasis on tangential issues (such as the Selective Service registration verification which is now resolved, but which caused tremendous chaos earlier); (4) renewed training initiatives for aid administrators; and (5) increased scrutiny of regulations to reduce the administrative burden on financial aid officers.

One reform being discussed to simplify the application process would, in our opinion, disenfranchise some students. This is the proposed adoption of a single formula for determining eligibility for all federal programs. It has been our experience that some programs, such as the Guaranteed Student Loan program (GSL), are more suited to average-income families, while the grant programs and the other campus-based programs are generally considered to be beneficial to low-income families. At the University of Wyoming, we have found that 80 percent of the campus-based funds were awarded to dependent undergraduates who had family incomes of less than $30,000. Of this group, 93 percent received grants; this is where the need for flexibility is beneficial.

Senator Stafford's bill proposes to limit Pell Grants to students whose family incomes are less than $30,000. Depending on how this limit is calculated, it could have a major impact on Wyoming students. Many farm/ranch families have gross incomes in excess of $30,000, but are able to adjust for losses so as to make them eligible for Pell. We question whether $30,000 would refer to adjusted gross or to gross.

Similarly, some families have very low incomes, but very high assets (i.e., retired or divorced parent, unemployed, but with investments). So long as one's interest income does not exceed $30,000, one could have assets of just under $300,000 (assuming a 10 percent return) and be eligible for Pell. This seems just as inequitable as the situation of the rancher who has income, but even more offsetting losses. We would suggest that the treatment of adjusted gross income plus assets is still the most thorough means of identifying needy students. Using gross income (even net of taxes) alone can be misleading.

At this time, about 2 percent of the University of Wyoming Pell Grant recipients come from families with adjusted gross incomes over $30,000. In total dollars, they represent about 1 percent of Pell expenditures. The problem is, of course, that these are all families with several children, two or more of whom are enrolled in college in the same year. Multiple children in college concurrently does represent a hardship for the middle-income family, and we would be sorry to see them lose this means of assistance. We would hope that they would still qualify for other forms of federal non-grant assistance.

At UW, the average income of all families over $30,000 is $32,314, and no income exceeds $39,200, so we do not foresee much of a savings from a $30,000 income cap.

We wholeheartedly endorse your Subcommittee's proposal to further reduce the frustration level of students and their parents by allowing institutions to recalculate a student's Pell Grant award if there is an error in the application or if they have more current information. This would help administrators to make timely corrections to the student's Pell Grant awards without having to wait for a corrected Student Aid Report from the central processor. This should significantly cut down on current processing delays and would allow the student to receive his/her award promptly.

Turning now to flexibility, we have serious misgivings about a policy which would require an institution to grant financial aid to students enrolled for fewer than six hours. While the University of Wyoming, along with most other institutions in the country, will serve increasing numbers of non-traditional students who attend the University part-time, we need to take care to not dismiss the needs of traditional students making a great sacrifice to pursue their college education full time. Non-traditional students attending the University part time often have alternate sources of income through their own full-time work or that of a spouse. While these students should be treated equitably, we urge that great care be taken to remain sensitive to and supportive of the unique needs of full-time students.

Another means of providing desired flexibility would be to add some discretion in determining allowances for room and board, books, and miscellaneous costs. The current limitation of $1,600 annually for room and board off-campus is not sufficient in many circumstances.

It is unclear whether "targeting" National Direct Student Loan (NDSL) funds to students with exceptional need means that NDSL would be limited to those students or simply spent first on those students. In either case, we would need a definition of "exceptional financial need" (Supplemental Educational Opportunity Grant, SEOG, has a formula which defines that, for example). We would encourage use of NDSL funds for the neediest students first, but we would not like to see NDSL funds limited only to those students who meet the definition, as long as funds are available after the "exceptional" needs have been met.

Again, we would regret the demise of the truly "low-interest" loan if NDSL interest were to rise from 3 to 5 to 7 percent in six years. We recognize, however, that such an increase would ultimately benefit future generations of UW students since our NDSL collections provide a revolving fund for our own future

NDSL expenditures.

There are a few other concerns we have relating to the financial aid programs which bear mentioning. The first is the desirability of an administrative allowance for the GSL program. A great deal of the institutional aid administrator's time is spent in processing applications for this popular program. Appropriate compensation for this work would allow the University of Wyoming to improve services, turn-around time, and efficiency in this area.

We are also concerned with the Subcommittee's proposal to increase the annual loan limits for the GSL program. In Wyoming we hope that our graduates will find an economic climate conducive to helping them pay off the loans they have assumed. We all can take great pride in our Wyoming students, for we have one of the lowest student loan default rates in the nation for both the GSL and the NDSL programs. We would encourage you to stand vigilent when designing this reauthorization legislation to not make it possible for students to exceed their abilities to repay their loans.

We would be sorry to see the GSL interest rate rise, although we would not argue that 10 percent is still a fairly palatable rate for middle-income borrowers. Our concern is with the proposed drop in the special allowance rate. The Gramm-Rudman automatic reductions in revenue to banks, coupled with the proposed reduction of ½ percent in special allowances, may be discouraging to small-volume lenders (of whom we have many in Wyoming). We submit that while an increase in the interest rate would keep interest revenue to banks fairly stable while the borrower is in school, it would not make up the Gramm-Rudman losses combined with the decrease in special allowance. We prefer not to re-design the program in such a way which would discourage the excellent participation we now enjoy from Wyoming lenders.

Secondly, we wonder if increasing the interest rate will actually address the deficit-reduction-by-1991 initiative in time; that is, can the benefits be realized quickly enough to meet Gramm-Rudman goals? Borrowers who matriculate in 1986 would graduate in 1990 and will be in grace status for the six months following graduation (November 1990). They would not begin to bear the additional interest cost themselves until the beginning of 1991.

We do recognize that this is perhaps the thorniest financial aid issue and the most difficult one in which to effect cost-saving changes, due to the interests of the many participants in the total GSL structure and the length of time required to realize paybacks from borrowers. We commend your effort and agree that costs to the federal government should be lessened as soon as feasible without serious deprivations to borrowers who are in school.

We also are concerned with the growing number of students on our campus who are desiring to declare themselves financially independent of their parents for purposes of receiving federal financial aid. We would urge caution in establishing or modifying the criteria for determining financial independence by our students. While increasing numbers of students have legitimate claim to independence, there is a danger that other families would withdraw support just to reap the benefits of federal funds. This circumstance does not capture the spirit of support for the truly needy of that federal aid.

We routinely expect that dependent freshmen applicants for federal aid (other than GSL) will be able to earn and save a minimum of $700 toward their first-year educational costs. All other dependent applicants are expected to earn and save a minimum of $900. All independent students are expected to earn and save $1,200 toward their educational costs. (In addition, all applicants are expected to contribute 35 percent of their savings toward each year's cost). The proposal to extend these expectations to the GSL program is not out of line except that the GSL has traditionally been used by some students to replace the earnings/savings expectation if they were not able to earn it, either because of illness/injury, because they work for their own family for no pay, or because they live in a rural area where summer jobs are not widely available. The ability to borrow one's summer earnings through GSL has been advantageous, especially to Wyoming students in the post-boom economy, and this proposal would seriously limit that ability.

We are in favor of the definition of Satisfactory Progress ("C" average) proposed by Senators Pell and Nickles. By federally requiring a "C" average to remain eligible for federal student aid, all institutions across the nation would administer the requirement uniformly. This would make it easier to monitor eligibility when a student transfers from one institution to another.

Let me conclude my comments concerning S. 1965 with these quick observations. We have no problem with recognizing legitimate and reasonable child care expenses as part of a student/parent's educational costs. We have exercised this local option on a routine basis at the University of Wyoming. In a similar manner, we have given different treatment to independent students with dependents than we have to independent students without dependents in our campus-based aid programs. We would welcome this approach at the federal level. Because of our demand for SEOG grants, we at the University limit awards to $1,000. While increasing the ceiling from $2,000 to $3,000 would help students at some institutions, our current level of funding does not encourage us to make awards above even the $1,000 level.

The second area you specifically asked me to address was our perception of the impact of the Gramm-Rudman budget cuts on our operations, and specifically on student financial aid. It is my understanding the Gramm-Rudman requirements will result in a first-year reduction of 4.3 percent in all programs. Based on this we have determined that it would have the following impact on the financial aid available to students at the University of Wyoming. As you know, this aid is available to students in classes around the State, not just those on the Laramie campus.

For the Pell Grant program we anticipate a reduction of approximately $118,000 in the first year. Because the students cut from the program would be those who are currently receiving small awards, we anticipate a loss of aid for somewhere between 70 and 150 students, more than might be expected using the amount of the average award to calculate the loss.

For the SEOG program, we expect a reduction in the neighborhood of $14,300. Again, because the students which would be cut are those now receiving the smaller awards, we expect a loss of 20 to 50 students from this program.

For the College Work Study program, a popular program because it requires the student to work for his/her award, we would expect to lose $17,300 in federal matching dollars, which means between 14 to 25 fewer students could participate in the program.

For Veterans programs, we calculate an approximate reduction of $38,000 which would have gone to serve twelve veterans.

For various other miscellaneous federal programs, we anticipate an overall loss of $4,600 causing the loss of aid to three additional students.

In summary, we anticipate the loss of at least $192,000 in student financial aid. This reduction could translate to the loss of aid for as many as 240 students. In times of stable to declining enrollments, this loss of aid may easily become a similar loss of student enrollment.

I know of your concern about the loss of mineral royalties to the State of Wyoming as a result of the Gramm-Rudman mandates. It is important to note that these losses in federal funds may have a direct impact on the amount of money the legislature will be able to appropriate for state-supported scholarships and tuition assistance. Thus, the loss in federal scholarship dollars may be amplified by a similar loss in state financial aid for students.

I have shared with you just a few of the major concerns we at the University of Wyoming have about the present financial aid programs and the proposed revisions outlined in the Subcommittee's bill. Other aspects of the Higher Education Act will be addressed by subsequent witnesses from the University.

On behalf of the officers, faculty, and staff of the University, I thank you again for the opportunity to share our thoughts and comments with you on this very important legislation. I would be happy to respond to any questions you might have.

Senator **Wallop**. Thank you, President Veal.

Dr. Wadlow.

STATEMENT OF DR. JOAN WADLOW, VICE PRESIDENT FOR ACADEMIC AFFAIRS, UNIVERSITY OF WYOMING

Dr. **Wadlow**. Thank you, Mr. Chairman.

Mr. Chairman, like President Veal, I am also very pleased to have the opportunity that you have provided us today. I want to divert our attention for the moment from financial aid to the importance in the Higher Education Act of 1965 to the international studies and foreign language provision.

In our judgment, the title VI provisions, which deal with international studies and foreign languages, this particular title is important for reasons of national security, for the development of Wyoming's economy, and for the education of some 10,000 students at the University of Wyoming, as well as their counterparts throughout the country.

Provisions of title VI on language and international studies enable universities, such as ours, to improve programs in these areas so that the practical skills and knowledge, which students now need in dealing with 150 nations around the world, are truly enhanced. We continue to experience incredible difficulties in working with peoples of other nations, and we have foreign policy setbacks due to lack of individuals with competencies in languages and knowledgeable education in international studies. I am always impressed with the incident cited by a colleague of mine when he speculated how a huge mob could take over the American Embassy in Tehran with no advanced warning. But he said, remember, only 2 of the more than 60 American Embassy personnel in that capital spoke Farsi, the language of Iran.

So it seems clear to me that national interests, as well as our educational interests, call for the reinstatement provision of title VI.

Now, in the present Senate bill, there are two new sections which are particularly important in advancing today's national interests. Both of these deal with foreign languages. The first calls for the creation of Language Resource Centers. And one of the things these centers would do would be to provide us with better ways of developing proficiency testing in foreign languages.

The other new section will create two types of Intensive Summer Language Institutes. And one would serve advanced language students and faculty, and the other would serve the beginning or intermediate college and high school students and teachers. The Institutes will focus on critical or neglected languages and they exist exclusively for the purpose of teaching and training.

Now, I must say that here in Wyoming we have a special need to develop instructional approaches for small enrollments both in the critical languages at the university level and in the more commonly taught languages in small rural school districts.

Indeed, there is a pilot project underway now using innovative instructional techniques for rural areas, and the type of institute that title VI would provide would support this effort.

Well, finally, I want to point to two very specific benefits to students and citizens of Wyoming from the provisions of title VI. One is reality, and one is anticipated.

Over the past 2 years, a small amount of funding from title VI programs gave the University of Wyoming the margin of support to enable 57 of our students to link up by computer to 16 universities in 7 countries. Through this simulation, these students gained valuable experience in language translation and diplomacy. Other funding led to curricular changes which has benefited 340 students and 27 faculty over this 2-year period. The small amount of Federal funds which augmented our program helped give many students the special skills and assured that they will not be among those who constitute a source of national embarrassment due to language deficiency and international affairs illiteracy.

Another specific benefit of title VI to Wyoming is related to the Wyoming Futures project. Wyoming Futures called for the expansion of international markets for Wyoming products. Now, title VI has as one of its purposes assistance to campuses and to States so that they can expand foreign exports. This is precisely one of the objects. The program assists campuses in forging links with the private sector. At the University of Wyoming, we anticipate support from title VI for a campus program designed to expand the foreign exports of Wyoming businesses by linking agriculture, business, and international studies.

While these are two programs which have specific benefits to Wyoming students, the benefits I have cited are multiplied many times in universities elsewhere throughout the country.

So, in summary, I urge the subcommittee to continue the international studies and foreign languages provisions of the Higher Education Act. Continuation and, indeed, increased funding serve the interests of our Wyoming students and the Nation's interest in defense, diplomacy, commerce, and education.

Thank you, Senator Wallop, for this opportunity.

[The prepared statement of Dr. Wadlow follows:]

TESTIMONY
SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
FIELD HEARING, February 13, 1986, Senator Malcolm Wallop, Chair

Dr. Joan Wadlow, Vice President for Academic Affairs, University of Wyoming

I am pleased to have this opportunity to emphasize the importance of the international studies and foreign language provision of the Senate Bill to reauthorize the Higher Education Act of 1985. Title VI of the Higher Education Act is important for reasons of national security, for the development of Wyoming's economy, and for the education of the 10,000 students at the University of Wyoming and their student counterparts elsewhere in the country. The National Commission on Excellence in Education pointed out that the study of foreign languages serves the nations needs in commerce, diplomacy, defense and education. I support this conclusion and in addition emphasize the importance of the international and foreign language studies to the State of Wyoming.

The programs in Title VI provide a dramatic example of the merging of the heart of a liberal arts education with the national interests. National reports on the improvement of undergraduate education cite the study of foreign languages and culture as traditional and proper components of a liberal education, and this is one of the central missions of the University of Wyoming by state statute.

Provisions of Title VI enable universities such as Wyoming to introduce and improve programs in international studies and foreign languages so that the practical skills and knowledge which students now need in dealing with 150 states are enhanced. We continue to experience incredible difficulties in working with peoples of other nations and we have foreign policy setbacks due to lack of individuals with competencies in languages and education in international studies. I am always impressed with the incident cited by a colleague when he speculated how a huge mob could take over an American Embassy in Tehran with no advance warning. Remember, he said, only two of the more than sixty American Embassy personnel in Tehran spoke Farsi, the language of Iran.

It seems clear to me that national interests and educational interests call not only for the provisions of Title VI in the reauthorization of the Higher Education Bill, but much higher levels of spending than the current $30 million if the broad purposes of the Act are to be achieved.

In the present Senate Bill there are two new sections which are particularly important in advancing today's national interests. Both of these deal with foreign languages. The first calls for the creation of Language Resource Centers. These will prepare and develop resources to improve teaching of languages including proficiency-based tests. Each center would be required to share the products of their work.

The other new section will create two types of Intensive Summer Language Institutes, one serving advanced language students and faculty and the other serving beginning or intermediate college and high school students and teachers. These Institutes will focus on critical or neglected languages and exist exclusively for the purpose of teaching and training. Here in Wyoming we have a special need to develop instructional approaches for small enrollments both in critical languages at the university level and in the more commonly taught languages in small rural school districts. A pilot program using innovative instructional techniques for rural areas is currently being planned, and the type of institute created in Title VI would support this type of effort.

Finally I want to point to two specific benefits to students and citizens of Wyoming from the provisions of Title VI. One benefit is reality; the other is anticipated.

Over the past two years, a small amount of funding from Title VI programs gave the University of Wyoming the margin of support to enable 57 of our students to link up by computer to sixteen universities in 7 countries. Through this simulation they gained valuable experience in language translation and diplomacy. Other funding led to curricular changes benefitting 340 students and 27 faculty over a two-year period. The small amount of federal funds which augmented our programs helped give many students special skills and assured that they will not be among those who constitute a source of national embarrassment due to language deficiency and international affairs illiteracy.

Another specific benefit of Title VI to Wyoming is related to the Wyoming Futures Project. Wyoming Futures called for expansion of international markets for Wyoming products. Assisting states to expand their foreign exports is precisely one of the objectives of a business program in Title VI. The program assists campuses in forging important links with the private sector. At the University of Wyoming, we anticipate support from Title VI for a campus program designed to expand the foreign exports of Wyoming businesses by linking international studies, agriculture and business with the private sector.

While these two programs have specific benefits to Wyoming students, the benefits I've cited are multiplied many times in universities elsewhere in the country which receive support from Title VI programs.

In summary, I urge the subcommittee to continue the international studies and foreign languages provisions of the Higher Education Act. Continuation and, indeed, increased funding serve the interests of our Wyoming students, and the nation's interests in defense, diplomacy, commerce and education. Though constituting a very small percentage of any university's support for international studies and foreign language training, Title VI funds provide the margin and incentive to initiate and improve programs which address many critical national interests.

Senator WALLOP. Thank you, Dr. Wadlow, for an interesting dimension on this.

Don, just before you leave, would you care to offer us now, or at some period in the near future, your idea for a definition for exceptional students, or have somebody from the university do it?

Dr. VEAL. I would be pleased to provide for you our idea of it.

Senator WALLOP. I think it would be very helpful for us. It is fine for me to know that the definition may not work. And as for one that does, I am not sure I can advance any.

Dr. VEAL. We will provide that for you.

Senator WALLOP. Now, let me ask you this: Is there any way to make up the losses of what you have described, the 240 students? Otherwise———

Dr. VEAL. The only way that I have to make that up, Senator Wallop, would involve two things: More private philanthropy to the university, and we are working hard on that; and, second, for the State to provide those additional funds.

Now, that would probably be too late this year. But once we have a clear definition, I am sure that we would approach the State in a subsequent time for additional student financial aid. The only way really for me to do it in the short run is through additional private funds.

Senator WALLOP. Really it is a difficult thing for me to provide you any assurance in all of this because nobody can really see what priorities are going to be as this unfolds; only that there are going to be priority choices made, and they are going to be very difficult ones.

What would be nice is for me to be able to tell you that I can see 8 years down the road and just exactly how this is going to unfold and what your needs are going to be. I think, at least for the next couple of years, from year to year, it is probably going to be a changing scene. So, to that extent, I would urge you, the board of trustees and the administration of higher education in Wyoming, to begin to work with the legislature to have some kind of a theme which is triggered on the—added to the expense that the State feels willing to offer itself and its resources.

Dr. VEAL. We began a process in developing private funds more than a year ago to enhance the student financial aid endowed scholarship at the university. So that process—I would say that, in summary, that we provide opportunities for our students to participate in higher education because the investment there pays enormous dividends down the street. The expense of the alternatives seem to be much, much greater.

Senator WALLOP. Now, I personally have no philosophical quarrel with that. I find myself inherently in basic agreement with that, but I would have to tell you that that is the same thing that I am told about every other level of Government spending that we have and, indeed, there is no reason under the Sun why this should not be the most profitmaking Government in the world because everybody says that by spending this money, we save a lot of money over there, you know.

Dr. VEAL. I understand that process because every request that comes to me is the most important one I have ever had.

Senator WALLOP. I know.

Dr. Wadlow, I really appreciate very much your taking time this morning, and pass on to the trustees my best wishes and say that we will do as we can with sorting out priorities which will be extremely difficult as we go along.

Dr. VEAL. Thank you very much.

Senator WALLOP. Next is a panel, President Terrance Brown, Western Wyoming College, and President Ed Donovan of Central.

Ed, go ahead, and we will pick up Terry when he comes.

STATEMENT OF EDWARD L. DONOVAN, PRESIDENT, CENTRAL WYOMING COLLEGE

Mr. DONOVAN. Terry was leaving this morning from Rock Spring and they encountered some difficulties.

Senator WALLOP. Well, as I heard the description of the road, we may not see Terry and we may have to include his testimony not only as if delivered but as if he were here.

Mr. DONOVAN. I would like to beg your indulgence for leaving after the——

Senator WALLOP. I understand that.

Mr. DONOVAN [continuing]. Testimony. I have an education committee meeting at the legislature.

Like Dr. Veal prior to me, I will not dwell on a great deal of the specifics that is in my written testimony, and would like to comment specifically on just two areas that, one, I think is specific to Central Wyoming College as having the only and the first television station in Wyoming, KCWC-TV; and, second, I would like to make some comments apropos of the paradox of Senate bill 1965 and the Gramm-Rudman Act.

As you are aware, I am sure, Senator, in the House bill, 3700, there are three specific comments included in that act that deal with telecommunications and telecourses. We at Central provide a host of telecourses over an area in Fremont County alone that covers 21,000 square miles and benefits many homebound individuals, and also people who are just impacted vast distances and, obviously, at this time of year, weather.

Those provisions include providing students enrolled in postsecondary education credit telecourses with access to Federal student aid. I would ask your consideration of that.

Further, it goes on to suggest a provision for students enrolling less than halftime access to Federal student aid. One of my main concerns in Fremont County is that for the last 22 out of the last 24 months, we have held the unenviable position of having the most unemployment in the State of Wyoming. I am sure that is not lost while you keep in touch with our State.

But we have many single parents, displaced workers, displaced homemakers that look to the college as the single source for upgrading and retraining new or additional skills to place them back in the marketplace. The very ones that need this upgrading are also the very ones denied access to financial resources that will make this possible to them. The average State—or the average age of our students at Community College is 29 years of age, not 18 or 19. We have many older than average students at the college, and I think a consideration in regard to them is singly important.

I think also the third point is just as the State of Wyoming does not have any sort of statewide telecommunications authority at this time, we are in a paradoxical situation with our PBS station, where we are trying to network the State for our higher education access. We are also in a way prohibited from doing that without interest and involvement after the death of State Senator Peck a couple of years ago in having any action taken by the Community College Commission or the State legislature.

I think, too, nationwide there needs to be some sort of agent or agency that can deal with the question of telecommunications in terms of coordinating grant funding as well as providing a variety of delivered systems.

So I would ask at least perhaps that some view be given to that. We at Central are in general agreement with what we think are some positive elements of S. 1965. I think there are others in the audience from other community colleges around the State that can speak more eloquently from the viewpoint of financial aid from the particular spot, and I would not dwell on that. But I would like to point out what I feel are some inconsistencies in the paradox that at the time you and your committee are making a positive effort toward the advancement of students, especially here in the State of Wyoming and across the Nation, for students at open-door comprehensive public community colleges, that there is an impact on this through the Gramm-Rudman-Hollings Deficit Control Act.

I am sure most of us in this room share my feeling when we talk about a zero deficit in the next 5 years, and I think this is also the length of real authorization for the Higher Education Act if I am not incorrect in that. The zero deficit is also in the same category of motherhood and apple pie, it is hard to be against. I am for motherhood, but not at the expense of the woman who must become pregnant in order to extol its virtues. Likewise, I am for deficit control, but not at the expense of higher education who must get—pardon the vernacular—screwed again in order to extol its virtues.

It is ironic that 10 years ago when I was serving in the California Community College System, at this time of the year we had the infamous Jarvis Gann proposition 13 come into effect. And I do not want to see Gramm-Rudman do on a national level to community colleges around the country what Jarvis Gann did to the California community colleges, and from which, 10 years later, we are still reeling from the impact.

I was shocked and indignant to hear through the national media comments from your esteemed colleagues that they did not know or understand the implications of Gramm-Rudman, but that it was about time that we did something. I challenge you and your colleagues to do something. I challenge you to preserve the thin veneer of civilization that higher education provides this country and sets it apart from any other nation in the world today. I challenge you to make responsible decisions on the merits of each case and not to be lulled into ineffective decisionmaking for the sake of simple and simplistic across-the-board cut formula which can only mire us in mediocrity. And I challenge you to smash the sacred idols of commonality and strike a blow for preserving the differences that have made our community college system nationwide today as one of our most vital educational resources.

[The prepared statement of Mr. Donovan follows:]

Central Wyoming College
2660 PECK AVENUE
RIVERTON, WYOMING 82501

EDWARD L. DONOVAN, PRESIDENT

February 4, 1986

Honorable Malcolm Wallop
United States Senator
2009 Federal Center
Cheyenne, Wyoming 82001

Dear Senator Wallop:

It is an honor and a privilege to present this testimony focusing my personal and my institution's views on the Higher Education Act, Senate Bill 1965. Your recognition of this need for communication and cooperation is appreciated.

The origin of our present system of state-supported colleges and universities dates back more than one hundred years, when the Morrill Act was implemented in 1862. The enactment of the G.I. Bill of Rights in 1944 further strengthened the concept of public education. As a result, millions of students were able for the first time to participate in higher education. The post-Sputnik era brought greater involvement in and support by the Federal government for public education. As a result, the U.S. was able to take the lead in space, computer, telecommunication, and health technologies.

Last year, our Secretary of Education, William J. Bennett, notes in his first press conference that, "the American people declared war on educational decline; now we are engaged in the long struggle to build an educational system worthy of our ideals." Let us not create the width of an ocean between our words and our action. Let us realize the fact that by supporting our educational programs, we are preparing the leaders of tomorrow and that the future of our country rests in the hands of the teachers and students of today!

The following is a section by section response to the proposed Senate Bill 1965:

A) The Pell Grant Program:

The proposed changes in this program will favorably influence the financial aid package at Central Wyoming College. First, the enacted increments in the maximum grant amount will result in increases of approximately $50 per year to eligible students. Second, the inclusion of child care as an allowable expense will benefit our older-than-average students with minor dependent children. Both of these changes are positive, and will assist our students in achieving their academic goals. The impact of the third change, which centers on the determination of dependency status, is still uncertain.

B) The Supplemental Educational Opportunity Grant Program:

The increased maximum grant level, from $2,000 to $3,000 per year, is unlikely to have an impact upon the student financial package at Central Wyoming College unless significantly higher allocations to the college follow due to the altered allotment formula under Title I. The current level of funding for the institution is small, and the institutional policy currently dictates a maximum annual award of only $500. The new requirement that the SEOG funds be given only to those in receipt of a Pell Grant and to those with exceptional need, is in concert with Central's current policy.

C) The State Student Incentive Grant Program:

The proposed SSIG program will have no impact at Central Wyoming College unless the State of Wyoming and/or the College decide to modify their present level of participation.

D) The TRIO Programs:

The proposed changes will have no impact on current student programs at Central Wyoming College.

S. HRG. 99-63, PT. 6

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION,
ARTS AND HUMANITIES

AND THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

EXAMINATION OF RECOMMENDATIONS AND PROPOSALS OF THE ADMINISTRATION AND OTHER EDUCATIONAL COUNCILS REGARDING THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

OCTOBER 11, 1985, HARTFORD, CT
OCTOBER 28, 1985, MIAMI, FL
FEBRUARY 11, 1986, AMES, IA
FEBRUARY 14, 1986, LARAMIE, WY

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

FRIDAY, OCTOBER 11, 1985

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Hartford, CT.

The subcommittee met, pursuant to notice, at 9 a.m., in room W52, State Capitol Annex, Senator Christopher J. Dodd presiding.

Present: Senator J. Dodd.

OPENING STATEMENT OF SENATOR J. DODD

Senator DODD. I am very pleased to welcome you all to this special field hearing of the Senate Subcommittee on Education, Arts and Humanities. I would like to say a special word of thanks to the outstanding group of witnesses who will appear before us today for taking time away from their work and families to lend their expertise to this proceeding.

As many of you are aware, Congress has begun the long and difficult process of reauthorizing the Higher Education Act of 1965. The House and Senate Education Subcommittees have already held dozens of hearings in Washington, during which we received a long list of recommended changes to the act's numerous titles and programs.

And, yet, despite our very careful scrutiny of the Higher Education Act's provisions during these sessions, we have never held a hearing on the broader trends in American postsecondary education which are critical to any wise and effective reauthorization of this statute.

My intention this morning is to hold such a hearing, to examine the rising cost of higher education in our State and the Nation as a whole, to assess the impact of increased education costs on students and their families, and to determine how the Federal Government's student financial assistance programs should be revised to meet the current and future needs of our lower and middle income families.

While there is a serious lack of analytical research on the impact of rising higher education costs, there is no dispute that costs have spiralled upwards in recent years.

According to the National Center for Education Statistics, average charges for undergraduate tuition and fees, room, and board rose by 108 percent at public institutions and by 137 percent at private colleges and universities between 1974 and 1984.

The College Board, an independent educational research organization, recently estimated that the total annual cost of attending a 4-year public college jumped 8 percent over last year, to an average of $5,314. For private institutions, the increase over last year has been 7 percent, to an average of $9,659.

This is the fifth year in a row that higher education costs have outpaced the overall rate of inflation, but the recent increases were substantially less than the 10 or 11 percent annual hikes that we experienced during the early part of this decade.

New England colleges and universities and their students have been especially hard hit by the increasing cost of higher education. According to a study by the New England Board of Higher Education to be released next week, tuitions at public institutions in our region have increased by 113 percent since 1978. Tuitions at New England's 20 most expensive private colleges increased by 120 percent during that same 7-year period. And while the national inflation rate has been held to under 4 percent in 1985, tuition rate increases for academic year 1985–86 are running at eight percent at the region's institutions of higher education.

In our own State of Connecticut, tuition for State residents at the University of Connecticut at Storrs has increased by 86 percent since 1978. Tuition for State residents in our community colleges has increased by 70 percent over the same period, while the State's technical institutes saw tuition hikes of 111 percent. Tuition prices at Connecticut's most expensive private institutions—Trinity, Wesleyan, and Yale—increased by an average of 109 percent during the same 7-year period.

While it is very tempting to lay the sole blame for rising costs at the doors of our colleges and universities, it is very important to remember that education cost trends do not take place in a vacuum. These institutions have little or no control over the cost of inflation-prone goods like heating oil, books and periodicals, educational supplies, and the like, each of which has at least doubled in cost over the last decade.

In addition, during the double-digit inflation period of the 1970's, colleges and universities made a serious attempt to control their institutional costs. Faculty and staff salary increases were kept to a minimum, and most institutions deferred essential repair of facilities, plant improvements, and the acquisition of needed technological equipment in an effort to keep tuition prices down and student enrollments up. By and large, institutions of higher education are now playing catchup ball; trying to boost artificially low faculty salaries and repair badly neglected infrastructures in their facilities.

I suspect that we all have our own opinions as to whether or not recent increases in educational costs have been justified and necessary. However, rather than quibble over this issue, I would hope that during today's hearing we will be able to focus on the impact of spiralling education costs on our students and families and the steps we can take at the institutional and governmental levels to contain costs in the future. Nothing less is at stake than our diverse system of colleges and universities and our commitment to the philosophical foundation of the Higher Education Act of 1965: All young Americans should have access to and choice among postsecondary educational opportunities, regardless of their personal wealth.

President Kennedy once wrote—and I quote him—"The future of young people and the Nation rests in large part on their access to college and graduate education. For this country reserves its highest honors for only one kind of aristocracy, that which the Founding Fathers called an 'aristocracy of achievement arising out of a democracy of opportunity.'"

So, with that, I would like to again thank our witnesses for their patience and willingness to take some time out to appear at this committee hearing.

Let me say at the outset that one of the shortcomings in this program—and we are going to go through a number of witnesses—is that we did not include faculty to testify, as well.

I know there are some here this morning. And, so, be thinking about it because, at some point, I am going to call on you to come up and offer some ad hoc extemporaneous testimony unless you have prepared something. But, clearly, you should have been included in these hearings, and I apologize for that omission.

[Material supplied for the record follows:]

Denis P. Doyle and Terry W. Hartle

It Costs a Small Fortune

Even the most casual observer knows that higher education has become incredibly expensive. According to the College Board, between 1975 and 1985 the cost of attending a public four-year college jumped 100 percent, while at private colleges the increase was almost 130 percent. The inscription on a shirt seen recently in Boston says it all: "This shirt cost my family $50,700 . . . Harvard 1985."

The costs continue to mount. This year the average increase will be 8 percent at public colleges and 7 percent at private institutions. The annual expenses at two schools, Bennington and MIT, will top $17,000; others, including Princeton, Harvard, Yale, Stanford and Dartmouth will charge more than $16,000 each.

It is not just elite schools that cost a small fortune. The average total cost is more than $9,600 at private colleges and almost $5,400 at public colleges. Even the bastions of low tuition have given way; the City University of New York now charges a hefty tuition.

One explanation for the rapid rise in costs is that colleges are playing catch-up. Throughout the 1970s colleges held tuition increases below the rate of inflation to maintain enrollments. To do this, they deferred maintenance, abandoned building plans and, most important, held down faculty salaries.

But these strategies proved to be shortsighted. Today's tuition hikes are helping to pay for the maintenance and supplies that were forgone. They also are helping to modernize research facilities, restock libraries and increase faculty salaries.

In the public sector, the rapid rate of tuition hikes is occurring because some state legislatures have simply decided to make students assume more of the tuition burden. By reducing the subsidies given to colleges, the states save money for other activities. The difference is made up by higher tuitions. At the University of Washington, for example, tuition charges rose 17 percent this year.

Universities—especially the most expensive ones—also are raising tuition for all students so that those who can afford the full cost help subsidize those who cannot. Critics regard this as robbing Peter to pay Paul, but to the universities it represents a commitment to greater equal opportunity for the disadvantaged.

This doesn't mean that the colleges are doing everything to keep tuition in check. Most universities are administratively top-heavy. Guess what pays those salaries? And in some cases, schools simply are acting on bad advice. In 1982, for example, a consultant noted that tuition at George Washington University was well below the level charged by its competitors. He encouraged GW to boost its tuition sharply, lest students assume that the lower price meant inferior quality. There is more of this than is commonly recognized, but most universities that employ such specious reasoning don't advertise it.

Some observers think that federal student aid has encouraged colleges to hike tuition and push the cost onto the taxpayers. If that is true, the colleges have got it backward. In the 1970s, when federal student aid was expanding, colleges held down their costs. In the 1980s, federal student aid has been cut and tuitions have jumped sharply.

The ultimate question, of course, is whether students and their families will decide that college isn't worth the investment. The old fear that big tuition increases would reduce enrollments seems to have given way to a belief that consumers will pay regardless of the cost.

Sound familiar? For a long time American car manufacturers believed the same thing. That idea fell apart when the average car price reached stratospheric heights and a competitive option—Japanese cars—became available. It is hard to see where the competition for the colleges will come from, but if Sony announces plans to open a university, look out.

The other element in the equation is quality. High-quality education sells very well. In fact, perceived quality allows some schools to raise tuition at will because the demand exceeds the supply of freshman places. Since 1979, the number of high school graduates has fallen, but the applicant pool has stayed level or increased at most prestigious schools. Applications have risen 21 percent at Brown, 28 percent at Virginia, 49 percent at Stanford and 23 percent at Berkeley.

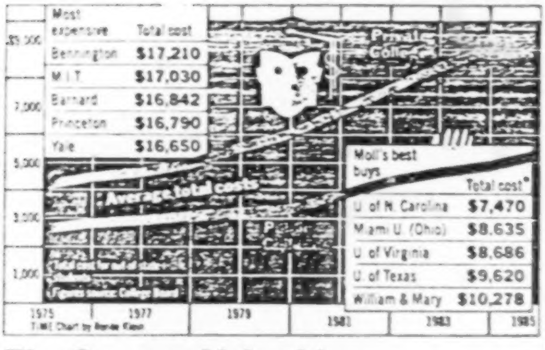
Popularity and a big price tag do not, of course, ensure excellence. On the contrary, there are indications that college quality is slipping, despite the recent run-up in costs. Several prestigious study groups have recently criticized the lack of focus and rigor in higher education. One report, by the Association of American Colleges, noted: "As for what passes as a college curriculum, almost anything goes. We are more confident about the length of a college education than its content and purpose."

Rapidly rising costs and questionable quality are a dangerous combination with no easy solutions. Because there is little agreement about what a college education embodies, rapid changes in the curriculum are unlikely. And costs will continue to rise. If Harvard's costs increase as rapidly in the next decade as they did in the last, the shirt that cost $50,700 this year will cost about $130,000 in 1995. Sooner or later, the price will become prohibitive.

Things are even more dangerous for less prestigious institutions, both public and private. If their costs continue to increase more rapidly than inflation, they will find fewer students seeking admission. Demographic pressures—the shortage of 18-year-olds—will accelerate the cost squeeze. As that happens, some colleges will cut programs sharply (further diminishing quality) or close their doors entirely.

The relationship between cost and quality is the same for colleges as it is for anything else. As long as students and their parents believe that higher education is good value, they will continue to buy it. But if quality does not improve and tuition costs keep ratcheting upward, America's colleges will be in big trouble.

The writers are resident fellows at the American Enterprise Institute.



TIME Chart by Renée Klein

The Campus Value Line

College prices outstrip inflation in a seller's market

In thousands of U.S. families, the pride of sending a youngster to college is being tempered by the chilly reality of rising costs. Last week the College Board, a research and service organization, reported that the price for four-year public schools has jumped 8% over last year, to an average of $5,314; for private institutions 7%, to $9,659. These figures, for students living on campus, include tuition, books and supplies, housing, transportation and incidentals, and climax a decade in which the rates for higher education have more than doubled. The really bad news is that they are currently rising at twice the 1985 inflation index of 3.7%.

As prices climb faster than ivy, the leaders, not surprisingly, are the prestigious private schools. Tiny (550 students) Bennington College in Vermont and science giant (4,300 undergraduates) M.I.T. are the costliest. Their tabs, says the College Board, just over $17,000. And the schools believe they are worth it. "We offer extraordinary facilities, extraordinary faculty, extraordinary peers and the best talent available," says M.I.T. Admissions Director Michael Behnke. There is another factor too. "You are paying for prestige," says William Park, professor of English at Sarah Lawrence ($16,285) and a graduate of Princeton ($16,790).

Beyond such self-assured notions, officials feel justified in pushing up prices. During the mid- to late 1970s, when inflation was at times hitting double digits, colleges battled to hold their cost lines. Faculty salaries lost 20% of their purchasing power. New construction and debt service were deferred, while energy and maintenance costs skyrocketed. Now the bills are coming due. Faculties, for example, are getting catch-up raises averaging 7.2% across the nation.

It is also true that schools sense a certain license in their pricing. "To a large degree, colleges have set their costs according to what they think the market will bear," says Henry Levin, education and economics professor at Stanford, where the market is bearing up brilliantly. Despite a 60% jump since 1980, to an estimated $16,193, Stanford this year had 17,652 applicants for 2,506 freshman openings. But there is a sharp edge to the situation, and in Levin's case it has cut close to home. On his salary of more than $60,000, Levin finds he cannot afford to send his own five children to Stanford, even with a 50% tuition discount. And like those of a lot of other middle-class parents, Levin's income is a little too high for his children to qualify for most federal or state aid programs.

Such aid is in somewhat shorter supply. The U.S. Government, which provides about $15 billion in student help, has begun to back off. Since 1981, allowing for inflation, total federal college-student support has dropped about 10%. One result is that some minority students are steering away from the elite colleges. Princeton, for example, is seeing a falloff in black enrollments, from 345 in 1980 to an estimated 316 this year, a trend that may be spreading to other select colleges. "With grant money frozen and tuitions going up," says Reginald Wilson of the American Council on Education in Washington, "black students have to pay more college costs out of their own pockets. Many now just can't afford to go."

Faced with the higher tab for higher education, applicants are routinely asking colleges about the number of job offers and starting-salary averages for their graduates. With the cost-conscious in mind, Richard Moll, dean of admissions at the University of California, Santa Cruz, has written *The Public Ivys*, due out next month. In it Moll profiles eight top-drawer public schools and nine runners-up. In many ways, he says, their quality "is quite comparable to anything the Ivy League has to offer," despite costs in some cases half that of the storied private institutions. "If I had to name the best school on all counts," says Moll, "that school is the University of Virginia. It's a very serious, very demanding, good place." And increasingly popular. This year Virginia ($8,686 for out-of-staters) had 9,272 applicants for about 1,000 out-of-state places. "We are cost effective," says Assistant Admissions Director Thomas Grexa.

The University of California, too, is bulging with private-school refugees. At Berkeley ($11,160 out-of-state), another Moll favorite, some 40% of the students are minorities, many of whom could have met the entry standards of Ivy League schools. Says California President David Gardner about his university system: "It's just undeniable that a lot of students who in the past would have applied to private universities are applying here because of the [cost] differential between a public and private school." If that trend continues, even the finest of the Ivys may begin to see the best and the brightest doing their sums and making new calculations about where they go. —*By Ezra Bowen. Reported by Andrew Blauvelt/San Francisco and Timothy Loughran/Boston*

Test Case

The day the exams vanished

Right after that classic nightmare of having forgotten to study for the exam comes the horrific vision of taking the test only to have the answer sheet lost. Last week in New York City the vision became reality. Portions of 542 New York bar examinations, which for the would-be lawyers who had just taken them were the culmination of years of graduate study, disappeared from the state board of law examiners' offices. The deeply abashed three-member board alerted police and quickly notified the unlucky 542 out of the 6,562 tested. "There is no way to express how wretched we all feel about this thing," Law Examiner John E. Holt-Harris Jr. told the New York *Times*. The board is offering various ways to take part or all of a new test. The 542 aspirants are stunned. Three phoned a Long Island lawyer to inquire about a possible class action. Said Candidate Ronald Korybski: "Who wants to study all that again?" The answer is nobody. Still unanswered: Were the tests lost, or were they stolen to force a rerun by some unprepared victim of that other nightmare? ■

22.

COLLEGE COSTS UP BY SMALLER MARGIN, SAYS COLLEGE BOARD (Cont.

students and families make up the difference between the cost of a particular college and what they can afford to pay."

President Reagan sought to cut $1.5 billion from student aid programs in fiscal 1986, but Congress has approved only modest cuts (HED, Aug. 5). —Diane Reis

HIGHEST PRICED FOUR-YEAR COLLEGES FOR RESIDENT STUDENTS, 1985-86*

	Fixed Costs			Total
Institution	Tuition and Fees	Room and Board	Total	Estimated Cost of Attendance
Bennington College	$12,830	$2,980	$15,810	$17,210
Barnard College	10,546	4,896	15,442	16,842
Sarah Lawrence College	10,879	4,506	15,385	16,285
Massachusetts Institute of Technology	11,000	4,230	15,230	17,030
Harvard and Radcliffe Colleges	11,340	3,760	15,100	16,500
Yale University	10,520	4,500	15,020	16,650
Princeton University	10,960	3,980	14,940	16,790
Tufts University	10,393	4,540	14,933	16,133
Dartmouth College	10,764	4,155	14,919	16,120
Stanford University	10,476	4,417	14,893	16,193

HIGHEST PRICED PUBLIC FOUR-YEAR COLLEGES FOR RESIDENT STUDENTS, 1985-86*

	Fixed Costs			Total
Institution	Tuition and Fees	Room and Board	Total	Estimated Cost of Attendance
Colorado School of Mines	$2,950	$3,350	$6,300	$7,800
University of Vermont	2,948	3,326	6,274	7,290
Maine Maritime Academy	2,720	3,145	5,865	8,265
University of California at Berkeley	1,346	4,516	5,862	7,344
Medical University of Southern California	3,300	2,550	5,850	5,850
University of Illinois at Chicago: Health Science Center	2,316	3,312	5,628	8,285
Vermont Technical College	2,534	3,042	5,576	6,626
University of California at Irvine	1,336	4,148	5,484	7,236
University of Rhode Island	1,972	3,495	5,467	7,089
College of William and Mary	2,290	3,166	5,456	6,400

* The tables are based on schools' fixed costs, including tuition and fees based on 30 semester hours, and room and board based on average costs for a double room and 21 meals a week. They do not include books and supplies, personal expenses and transportation, which are included in total estimated cost of attendance.

Source: *The College Board Annual Survey of Colleges*

Washington Post, Aug. 16, 1985

Private Colleges Propose Shifting Student Aid

Grants Should Reflect Schools' Cost, Group Says

By Keith B. Richburg
Washington Post Staff Writer

With rising college costs widening the tuition gap between private and public colleges, a group representing private schools has proposed restructuring federal aid to low-income students to give more to students attending the more expensive schools—usually the private ones.

The National Association of Independent Colleges and Universities, representing private institutions including the Ivy League schools, unveiled its proposals yesterday for redirecting grants to low-income students and limiting the popular student loans to those who need them most.

Under the plan, the Pell grant program for low-income students would be restructured to take into consideration the actual cost of the college the student attends, in addition to a living allowance. This would make the program more "price-sensitive," the group said.

"We need to restructure the aid programs in a way that redresses the serious and growing imbalances that threaten their effectiveness if not their very existence," said John Phillips, president of the group.

The group's proposals come amid a growing national debate about escalating college costs, which keep increasing faster than the rate of inflation. Education Secretary William J. Bennett started that debate in February when he said many schools are raising tuition too fast and the quality of the education may not be worth the price.

A College Board report last weekend said the average cost of a college education is up 7 percent this year. The most expensive school in the nation is Bennington College in Vermont, with tuition and expenses totaling $17,210 for one year, according to that report.

Yesterday, Phillips said the average cost of a private school is only $9,600, and public schools can keep tuition lower because they receive an average $4,000-per-student subsidy each year from state legislatures.

At a separate breakfast meeting yesterday with reporters, American University President Richard Berendzen also defended private schools against the accusation, by Bennett and others, that they may be charging too much. "What he's suggesting is that there's price-gouging," Berendzen said.

Berendzen blamed rising tuitions on decades of neglect, in which faculty salaries were held artificially low and colleges' physical plants and infrastructure were left to crumble.

Moreover, he said, most expensive schools are now practicing their own form of "internal socialism," meaning that they charge a high tuition, which a few wealthy students pay, so that the majority of students can pay a discounted price after receiving some form of financial aid.

Overall, Phillips said, about half of the 2.6 million students enrolled in private schools get some financial aid.

The debate over college costs and the proper focus of federal aid comes as part of the discussion over extending the Higher Education Act, which is to expire over the next two years.

Congress is now debating the future shape and character of almost every aid program. As college costs climb, the question beneath the surface of the debate is whether future aid programs should include cost containment provisions as incentives for colleges to keep costs down.

The group's proposals come amid a growing national debate about escalating college costs.

Also, Bennett, in his earlier, unsuccessful proposals to cut college aid this year, raised a new question challenging the basic assumption of the old aid program: does the federal government have a right to pay for every American student to attend the college of his choice, no matter how expensive?

Said Phillips, "We are in the midst of a policy discussion in which there are fundamental policy directions at stake."

PUBLIC HIGHER EDUCATION COSTS JUMP IN 1984-85, NIE REPORT SAYS (Cont.)

Total appropriations per student at public colleges were highest in Alaska, the District of Columbia, Hawaii, New York and Delaware; while being lowest in South Dakota, Oklahoma, Mississippi, and West Virginia.

The study, entitled How States Compare in Financing Higher Education, 1984-85, stock number 065-000-002299-9, is available for $3.25 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.
--Susan J. Aluise

Education Appropriations Per Public College Student, 1984-85

State	Dollars Per Student	State	Dollars Per Student	State	Dollars Per Student
1 Alaska	$10,584	18 Minnesota	$3,563	35 Nevada	$3,058
2 District of Columbia	8,128	19 Alabama	3,541	36 Indiana	3,054
3 Hawaii	6,066	20 Texas	3,496	37 Virginia	3,048
4 Wyoming	5,195	21 Tennessee	3,475	38 Maryland	3,023
5 New York	5,008	22 Iowa	3,352	39 Michigan	2,994
6 South Carolina	4,202	23 Connecticut	3,314	40 Missouri	2,950
7 New Mexico	4,111	24 Kentucky	3,305	41 Illinois	2,899[2]
8 New Jersey	4,061	25 Pennsylvania	3,287	42 Ohio	2,857[2]
9 Massachusetts	4,034	26 Washington	3,256	43 Oklahoma	2,839
10 California	3,885	27 Wisconsin	3,220	44 North Dakota	2,801
11 Rhode Island	3,845	28 North Carolina	3,207	45 Nebraska	2,646
12 Montana	3,841	29 Florida	3,197	46 Mississippi	2,611
13 Georgia	3,710	30 Maine	3,186[1]	47 West Virginia	2,557
14 Idaho	3,706	31 Kansas	3,173	48 Colorado	2,424[1]
15 Arkansas	3,660	32 Louisiana	3,158	49 South Dakota	2,034
16 Utah	3,617	33 Arizona	3,120	50 Vermont	1,905[1]
17 Delaware	3,607[1]	34 Oregon	3,082	51 New Hampshire	1,036[1]
				United States	$3,457

Estimated Net Tuition Per Public College Student, 1984-85

State	Dollars Per Student	State	Dollars Per Student	State	Dollars Per Student
1 Vermont	$3,545[1]	18 Connecticut	$1,187	35 Utah	$948
2 New Hampshire	2,836[1]	19 Missouri	1,178	36 Kansas	929
3 Delaware	2,335[1]	20 Minnesota	1,169	37 Illinois	923
4 Ohio	2,049	21 Alabama	1,158	38 Louisiana	903
5 Pennsylvania	2,009	22 Kentucky	1,105	39 Massachusetts	902
6 Michigan	1,681	23 Alaska	1,099	40 Washington	887
7 Colorado	1,622[1]	24 Nevada	1,078	41 Hawaii	843
8 Indiana	1,571	25 Tennessee	1,081	42 Montana	820
9 Maine	1,499[1]	26 Georgia	1,075	43 District of Columbia	805
10 South Carolina	1,464	27 South Dakota	1,065	44 Florida	734
11 Rhode Island	1,425	28 West Virginia	1,050	45 Idaho	666
12 Iowa	1,398	29 North Dakota	1,039	46 Oklahoma	660
13 New Jersey	1,374	30 Nebraska	1,006	47 Wyoming	627
14 Maryland	1,294	31 Arkansas	1,001	48 New Mexico	590
15 Virginia	1,246	32 Mississippi	991	49 Texas	590
16 Wisconsin	1,228	33 Arizona	956	50 North Carolina	507
17 Oregon	1,203	34 New York	952	51 California	500
				United States	$1,055

[1] *The payment of high non-resident tuition by a large proportion of out-of-state students substantially increases tuition revenues and reduces appropriation requirements.*

[2] *Research, major public services and medical school appropriations have been assigned in Illinois and Ohio equal to the national average 16.6 percent of total appropriations. Education appropriations and other dependent measures are thus affected.*

Source: Education Department

Table 2.16

Trends in Estimated Average Undergraduate Tuition and Room and Board Rates in Institutions of Higher Education Compared With Inflation Index,[1] by Type and Control of Institution: United States, 1973-74 to 1983-84

Year and Control of Institution	Total Tuition, Room and Board				Tuition				Inflation Index[1] (1973-74 = 100.0)
	All Institutions	Universities	Other 4-Year[2]	2-Year	All Institutions	Universities	Other 4-Year[2]	2-Year	
1973-74									100.0
Public	$1,517	$1,707	$1,506	$1,274	$438	$581	$463	$274	
Private	3,164	3,717	3,040	2,410	1,989	2,375	1,925	1,303	
1974-75									111.1
Public	1,563	1,760	1,558	1,339	432	599	448	277	
Private	3,403	4,076	3,156	2,591	2,117	2,614	1,954	1,367	
1975-76									118.9
Public	1,666	1,935	1,657	1,386	433	642	469	245	
Private	3,663	4,467	3,385	2,711	2,272	2,881	2,084	1,427	
1976-77									125.8
Public	1,789	2,066	1,828	1,490	479	689	564	283	
Private	3,907	4,716	3,714	2,971	2,467	3,051	2,351	1,592	
1977-78									134.3
Public	1,888	2,170	1,932	1,589	512	736	596	306	
Private	4,158	5,033	3,968	3,148	2,624	3,240	2,520	1,706	
1978-79									145.9
Public	1,994	2,289	2,027	1,691	543	777	622	327	
Private	4,514	5,403	4,326	3,389	2,867	3,487	2,771	1,831	
1979-80									166.4
Public	2,165	2,487	2,198	1,821	583	840	662	355	
Private	4,912	5,888	4,699	3,755	3,130	3,811	3,620	2,062	
1980-81									185.7
Public	2,371	2,711	2,420	2,020	633	915	721	385	
Private	5,468	6,566	5,249	4,290	3,498	4,275	3,390	2,413	
1981-82									201.8
Public	2,668	3,079	2,701	2,217	721	1,042	813	432	
Private	6,184	7,439	5,949	4,840	3,972	4,887	3,855	2,697	
1982-83									210.5
Public	2,944	3,403	3,032	2,390	798	1,164	936	473	
Private	6,920	8,537	6,646	5,364	4,439	5,583	4,329	3,008	
1983-84[3]									218.2
Public	3,156	3,628	3,285	2,534	891	1,284	1,052	528	
Private	7,509	9,307	7,244	5,571	4,851	6,217	4,726	3,099	

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[1] Index constructed using Consumer Price Index data averaged on a school-year time frame with a base year of 1973-74.

[2] Includes liberal arts colleges, teachers colleges, professional schools, and all other 4-year institutions except universities.

[3] Data have been revised since originally published.

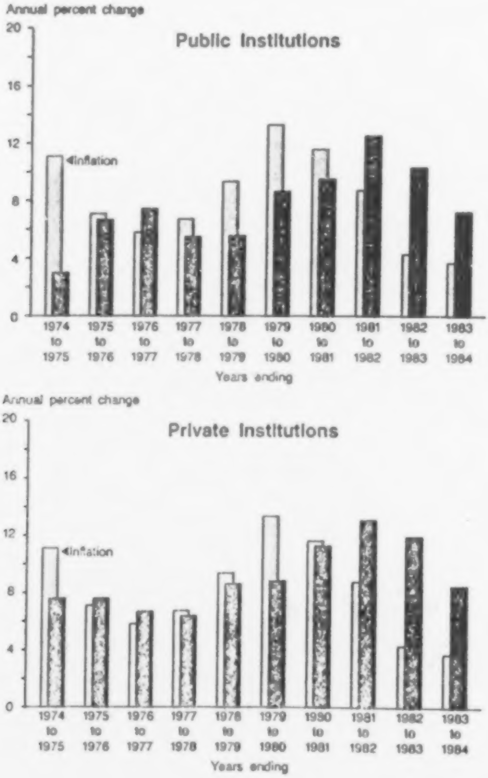
NOTE: Data are for the entire academic year and are weighted average charges. Tuition and fees were calculated on the basis of full-time-equivalent students (including undergraduate resident and nonresident students). Room and board rates were based on full-time students.

SOURCE: U.S. Department of Education, National Center for Education Statistics, *Projections of Education Statistics to 1986-87*, 1978; *Higher Education, Basic Student Charges, 1974-75*, 1976; and unpublished tabulations (January 1985).

10

Chart 2.16

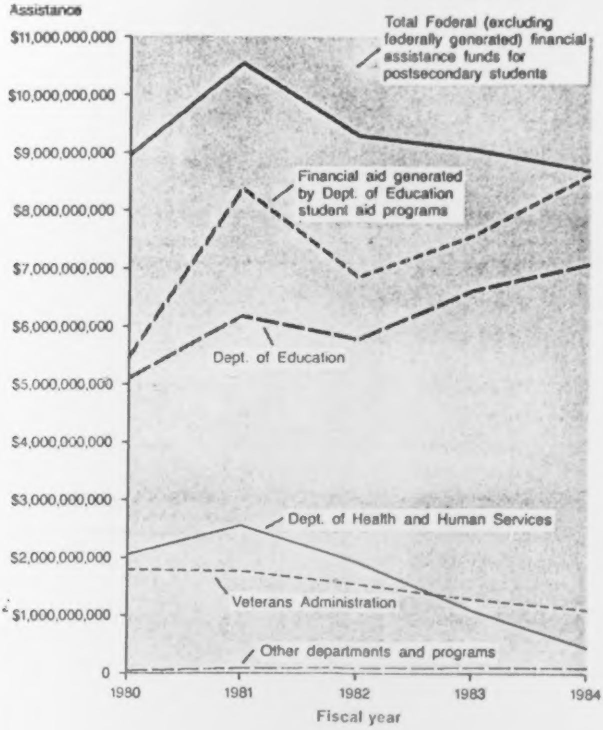
Annual Percent Change in Average Undergraduate Tuition and Room and Board Rates, by Control of Institution



Increases in undergraduate charges generally followed the inflation rate, but frequently lagged behind it by a few years. Thus, when inflation dropped sharply after 1980-81, charges continued to rise.

Chart 2.15

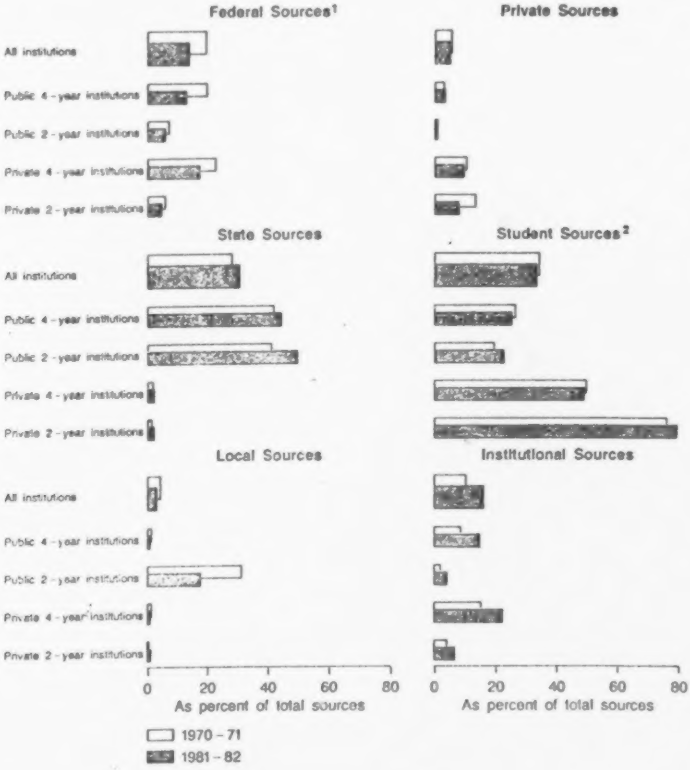
Federal and Federally Generated Financial Assistance for Postsecondary Students



Most of the Federal funds for student assistance came from the Department of Education (ED). Over the last 4 years, funds for student assistance from ED and the Department of Defense generally increased, while from other departments and agencies they generally declined.

Chart 2.14

Sources of Current-Fund Revenues for Institutions of Higher Education



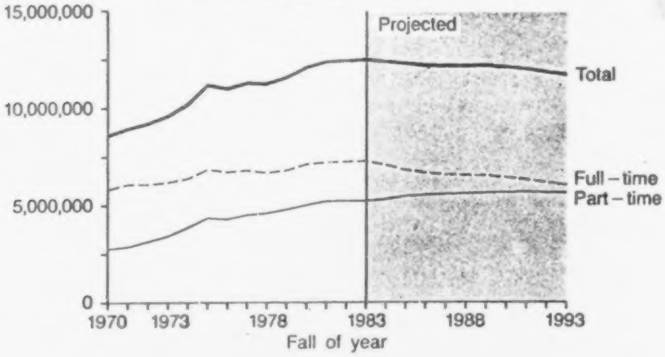
[1] Excludes Federal aid that goes directly to students, e.g., Pell grants.

[2] Includes Federal aid that goes directly to students, e.g., Pell grants.

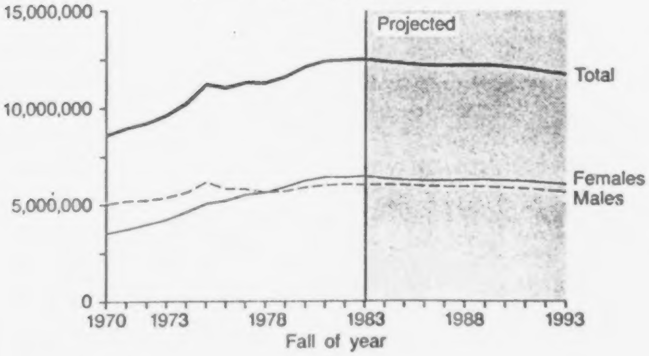
State funding for public higher education, already the largest single source, increased proportionately more than funding from Federal and local governments between 1970-71 and 1981-82. Students revenues continued to represent the largest single source for private institutions.

Chart 2.4

Enrollment Trends in Institutions of Higher Education, by Student Characteristics



Enrollment, by Attendance Status



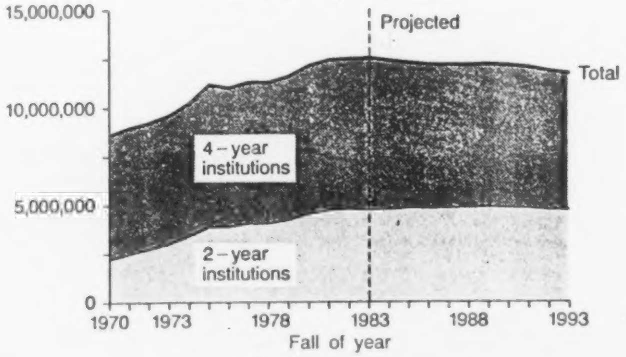
Enrollment, by Sex

In contrast to its expansion in the 1970's, higher education enrollment is projected to decline throughout the rest of the 1980's and into the 1990's. While declines in enrollment are projected for men and full-time students, part-time enrollment is projected to increase for several more years.

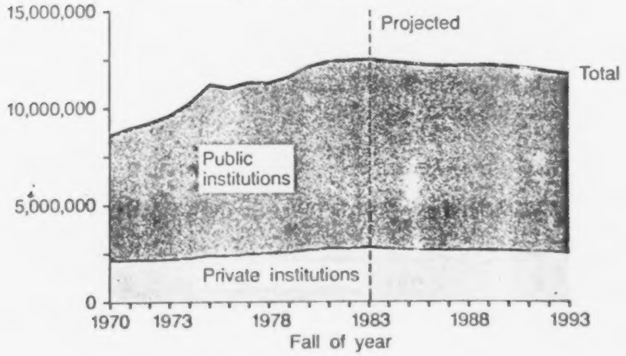
Chart 2.6

Enrollment Trends in Institutions of Higher Education, by Institutional Characteristics

Enrollment, by Type of Institution



Enrollment, by Control of Institution



Enrollment in 4-year institutions is projected to decrease significantly during the 1980's and into the 1990's, while enrollment in 2-year institutions is projected to decline slightly in the early 1990's. Enrollments in both public and private institutions are expected to fall over the next decade.

Senator Dodd. I will now call on the first panel to come forward: President Casteen, President Campbell, and President Vincent. I would respectfully request that you keep the testimony down to a short period of time so that we can get to some questions and get you on your way. I will ask for unanimous consent that the full text of your testimony be made a permanent part of the record and, since there is no one here to object, it is so ordered. We will begin with President Casteen.

STATEMENT OF JOHN CASTEEN, PRESIDENT, UNIVERSITY OF CONNECTICUT

Mr. Casteen. Senator, a copy of my presentation has been given to staff and, I think, distributed to the people in the hearing room. The text, itself, includes information concerning cost to students of attending the University of Connecticut, the availability of financial aid from various sources; most notably, Federal financial aid but, also, financial aid available to us from State sources and financial aid funded locally out of internal university budgets.

Essentially, what the statement does is survey 5 years' worth of experience and attempt to describe, for the committee's benefit, what we see as the impact when translated into the amount of money available in real dollars for needy students. And we have also offered some brief suggestions about directions in which the committee may wish to move in its effort to control Federal costs but, at the same time, meet student needs.

I should say that the basic assumption about Federal financial aid in my statement is that the Government's purpose, when it originally began to make heavy commitments to financial aid in the late 1960's and early 1970's, was to assure access with the intention that mere ability to pay would not be the final criterion or determinant of educational opportunity in this country.

The partnership among the Federal Government and the private sector—especially the parts of the private sector that provide student loan dollars—the States, which have substantially taken on the burden of financial aid as the Government has been backed away from the subject in recent budgets and, finally, institutions is extremely important.

It has produced tangible benefits for institutions and for students, but we think also that the absence of increases in the Federal financial aid appropriations in the last 5 years, during a time when inflation has continued to drive costs up and to erode families' ability to pay, has had an adverse effect on our students.

A paper is attached to the end of my statement that perhaps best summarizes our experiences—actually, there are two pages. Basically, the cost of education continues to grow, although not always at a rate equal to the overall rate of inflation and, sometimes, at a specialized rate that has to do with specialized costs of operating an institution of higher education.

Second, we are finding that, as the total supply of Federal money does not increase—that is, as year after year, the total appropriation nationally is essentially the same—inflation forces institutions to choose either to see enrollment decline because students cannot afford to go to school, or to find other sources of money; often, money that comes out of other educational programs.

The increasing costs and the diminished availability of money to help students pay the costs have the effect of making college less available to students from poor families than to students from wealthy families.

And the national experience, as well as our own experience in Connecticut in the last 4 years, tells us it is increasingly difficult for minority students, for students whose parents are not fully employed, for students from families with low incomes, to make their way into higher education.

To turn briefly to the charts that I have attached, table A and table B, table A summarizes cost increases over the course of the last 5 years. This table does not include the current academic year because all the figures are not available to us.

What you will see when you analyze this chart is that the cost increases are essentially in the instructional areas of the institution.

Like most institutions, we have been able to control the rate of inflation in room and board and other costs so that they actually come in at a total rate of increase well below the rate of inflation. But the instructional costs, the costs that are tied to the fundamental service that we offer—academic instruction—are well above the rate of inflation. And that object is the chief reason for the overall increase in the charges that are made to students.

I should observe that, from year to year, the total increase has been less than consistent, and the chief reason is that the board of trustees and the board of governors have worked deliberately to contain student costs as much as they can.

Bear in mind that, in public institutions such as UCONN, the State treasury actually provides about 80 percent of the cost of instruction. And the State has, in a way, absorbed some of the gap between what students can pay and what they must pay by increasing State appropriations in this area.

Between 1981 and 1982, the increase is 13½ percent, which is our worst year; that is a catchup year. The following year, though, the increase is only 3 percent and between 1983 and 1985, the increase is 8 percent. And between 1984 and 1985, it is 5½ percent.

What you will see is that the university has very carefully controlled its costs; it has deferred maintenance and avoided spending on other objects in order to keep the costs down and to make the most money available for financial aid.

The last line on Table A may be of some use to you because it shows the percentage of students' actual need that the institution has been able to meet by packaging Federal, State and local moneys.

It really looks pretty good. That is, we have gone from meeting about 51 percent of our students' average need to meeting about 69 percent.

Within that record, however, in the cost of meeting 69 percent, is that the institution has had to make substantial internal commitments to financial aid, and those commitments come out of objects that are fundamental obligations of the university and the State. The Federal Government has never taken on the obligation of funding the cost of instruction, for example. That is our job. But we meet the gap between the funds available and the needs that students demonstrate, and we attempt to protect our neediest students by deliberately re-allocating internally in order to make money available to students.

In the following table at the top, you will see the total number of applicants for financial aid in each of the 5 years I have surveyed.

You will notice that, between 1982 and 1983, the number drops dramatically from 10,707 to 6,794. There are two reasons for that. One is that, in that period, the Federal Government changed its need criteria, and large numbers of students who were previously eligible for federally subsidized loans became ineligible.

A second observation I would make has nothing to do with my experience at UCONN but with services I render externally as a Trustee of the College Board, which also happens to administer the College Scholarship Service.

Many students did not apply for or receive loans in 1982–83 because the Federal standards for eligibility were not issued until October. And in order to get the standards issued even in October, leaders from higher education, especially John Porter, the president of Eastern Michigan, and Dan Taylor, Vice-president of the College Board, actually had to sit with Federal officials in Washington and help them write the forms because we found that we were not able to move the necessary information out of the bureaucracy to make the money available to students in a timely fashion.

You will see at the bottom of the sheet, the second line up, the number of actual recipients of financial aid in each of those 5 years.

What concerns me is that that number remains relatively constant. We are, indeed, reallocating internally. The State and the board of governors, the legislature, the Governor are, indeed, contributing the resources to help us meet the need.

But the fact is that, even as the number of young people coming to college from our neediest families is going up, we are unable to increase the aggregate number of students receiving funding.

And I have two suggestions, Senator, that may be worth the committee's consideration. We understand that the Federal deficit has to be controlled. No one in higher education expects to escape the economies that will be necessary for this to happen.

But many of us—including Frank Newman whose recent report for the Carnegie Foundation has been the basis for a lot of our thinking about financial aid—have serious doubts about the wisdom over time of continuing to fund the bulk of financial aid in the form of loans.

Work study, cooperative education, subsidized study through the ROTC programs are all options that have proved their value from time to time in our history.

I would encourage you and your colleagues to look carefully at what we can do to make it more possible for students to help themselves as they move through college, for our neediest students to earn as much as they can of their college costs and, thereby, avoid large debts after their college years, to make youth service a voluntary productive part of growing up in this country.

There is ample evidence that young people are willing to serve. There is ample evidence that their services have enormous value to society and to education. Good experience tells us that, when called on to do productive and important work, young people have helped to shape our history through that work.

We think it may be time to take another look at those options as ways to reduce Federal costs, to give students the kind of self-sufficiency that comes of earning their way and, finally, to make a real difference in the world to which students go as adults when they are finished their college years. Thank you, Senator.

Senator Dodd. Thank you very much. I think we will just go right through and hear the testimony of the other members of the panel, and then have discussion on some of the questions I may have for you.

With respect to youth service, when I was a member of the House of Representatives, Pete McClusky, Republican Congressman representing Palo Alto, introduced legislation on comprehensive youth service programs; I was a principal cosponsor of it.

I have long felt that we have denied a generation of Americans the opportunity to serve their communities, and I do not believe this generation is any less willing to serve than the generation that I was a part of 25 years ago. The difference is that the leadership has changed and the motivation of a lot of people has changed, but I think it is a worthwhile endeavor.

In fact, I made the suggestion several years ago, that in the House of Representatives, instead of having high school kids be pages, we could make that a work study program for college students studying in Washington. That way they could work on a flextime basis, pick up a few dollars, appreciate Government service and assist themselves in meeting the cost of higher education. That would have solved, I think, a lot of problems so I agree with you.

[The prepared statement of Mr. Casteen follows:]

Statement of John T. Casteen, III
President, University of Connecticut

Hearing on Reauthorization of the Higher Education Act

State Capitol, Hartford
October 11, 1985

I am John Casteen, President of the University of Connecticut, and I have come today to offer information on the University's programs of financial aid to students and suggestions about reauthorization of the Higher Education Act.

With my colleagues in Connecticut's many private and public colleges and universities, I am grateful to you, Senator, and to the Committee, for inviting comment on the reauthorization, and specifically comment on federally sponsored financial aid for students. Federally sponsored financial aid is a major force for access and equality in the nation and in Connecticut. Few commitments, federal, state, or private, have produced the sustained benefit for individuals and the nation that we have realized from the federal investment in students.

I have attached to the text of my remarks several tables of information on student costs at the University of Connecticut, and on the impact of the changing federal commitment to financial aid. I believe that the Committee will find that UConn's experience during the last four years matches experience throughout public higher education.

Essentially, the cost of college is growing more rapidly than is our capacity to aid needy students. The reasons are that (1) the cost of education grows annually because of inflation, (2) while the available federal dollars to support financial aid do not increase, with the consequence that they actually diminish each year because of inflation, and (3) while the number of needy students continues to grow as more young people attempt to progress to college from families of limited means.

The student's cost of attending the University of Connecticut has increased over the last five years from $4400 (1980-81) to $5750 (1984-85), an increase consistent with the rate of inflation in the higher education price indices and with increases that have occurred in comparable public colleges and universities. Increases for room, board, books, and miscellaneous objects have actually been well below the rate of inflation in the CPI. Over half of the total increase is in tuition, which is to say the cost of instruction itself. See Table A.

Allocations from federal sources have changed during the past five years for UConn students from a high of $2,125,431 in 1980-81 to $1,750,441 in 1984-85. I do not have complete figures for the current year. Most of the decline is in Direct Student Loan funds. Work Study has held essentially constant, and SEOG has declined by roughly 20%. See Table B.

These declines have been less harsh for enrolled students than they might have been because both the State of Connecticut and UConn have increased their own support to make up much of the difference. But these increases in state and local funds do not come without a price: Both the state and the university have had to choose between replacing lost federal dollars for financial aid for students and funding other essential objects that have been and remain state and local responsibilities.

The number of applicants for financial aid has increased from 10,940 in 1980-81 to 12,308 in 1984-85. The number qualifying for aid over this period is not comparable from year to year because the federal qualification standards were changed in 1982 so as to make it more difficult for middle-income families to qualify. The total number receiving aid has increased marginally over this same period, probably because of institutional priorities in packaging aid. See Table B.

Finally, the figures for percentage of need actually met for aid recipients reflect UConn's success in reallocating its own resources to assist needy students. In 1980-81, we met 61% of the calculated need of our average aid recipient. This figure slipped to 58% in 1982-83. And it rose to 69% in 1984-85, despite the continuing decline in federal support, because of UConn's decision to shift moneys toward student financial aid and away from other objects. See Table A, bottom line.

Because the necessity of finding more aid dollars within institutional budgets affects all colleges and universities, public and private, let me comment briefly on the policy implications of this practice.

First, colleges must find money elsewhere in order to shift it to financial aid. This often means that libraries, labs, and older buildings suffer. Second, a common way of finding new money for financial aid may be to increase tuition charges for all students. The ironic consequence is that many colleges have become more difficult of access for our neediest students. Third, state and local dollars are scarce just as federal dollars are scarce. If state government elects to replace lost federal dollars for financial aid, it almost certainly does so by electing not to spend its money on some other object. And since state dollars are the core funding for public higher education, this decision often forces counterproductive reductions in the institutions themselves.

Although it seems necessary that college and university leaders speak for our students and their parents in this regard, I should emphasize that the chief victims of recent changes in federal support are students and their parents. Poor students, minority students, and disadvantaged students generally are less able now to attend college than they were five years ago. The College Scholarship Service's reports, which have come to the Committee, support this assertion. So do recent newspaper reports on minority student access to graduate and professional schools. Middle income families suffer also, because they must often pay high interest (as high as prime plus 2%) for student loans.

Most leaders in higher education, indeed most students and their families, support the principle that the federal deficit is too high. Despite the real reductions in federal support for financial aid to students, and despite the cost to the states and the universities of making up the loss, higher education has been both understanding and loyal during the last five years.

At this time, however, we believe that the debate over Reauthorization is a good occasion for a broad reassessment of the federal role in financial aid to students. Cooperative education and work/study are worthy of careful reexaminations, and so is subsidized study on the ROTC models. Our current heavy reliance on subsidized loans effectively excludes students who cannot face the cost of repayment. And Frank Newman's recent report for the Carnegie Foundation raises serious questions about the policy wisdom of overlooking young citizens' potential for meaningful service.

The federal commitments of the late 1960's and the 1970's amounted to pledges made between the federal government and students and the federal government and the states. To the students, the federal pledge was that personal wealth would not determine access to educational opportunity and that personal merit would. To the states and the colleges, the pledge was that the federal government would assist mightily in guaranteeing access while the states and colleges put their dollars primarily into the cost of instruction. The implicit consequence of the last five years is that these federal pledges have come to mean less than they should. I urge the Committee to find ways to bring them back to life.

TABLE A

[redacted]

	80 - 81	81 - 82	82 - 83	83 - 84	84 - 85	
Tuition & Fees	1068	1114	1225	1467	1657	
Room	1075	1155	1155	1224	1230	
Board	930	1090	1090	1146	1146	
Books	300	330	350	350	350	
Misc	1027	1211	1230	1263	..1367	
TOTAL	$ 4400	$ 4900	$ 5050	$ 5450	$ 5750	
% of need met (average student)	61%	61%	58%	66%	69% *	

* University funds made the difference

TABLE B

THE UNIVERSITY OF CONNECTICUT
FEDERAL FINANCIAL AID SCENARIO

	80-81	81-82	82-83	83-84	84-85
Applicants For Financial Aid	10,940	11,542	11,984	12,717	12,308
Guaranteed Student Loans	9,791 25,154,370	10,707 29,860,270	6,794 16,715,738	6,231 16,220,498	6,011 14,835,266
Federal Allocations					
SEOG	576,118	481,994	361,976	466,585	478,241
NDSL	433,386	232,569	245,529	347,462	121,580
WORK-STUDY	1,115,927	1,150,620	1,011,625	1,150,620	1,150,620
Total	2,125,431	1,865,183	1,619,130	1,964,667	1,750,441
PELL Recipients	3,063	2,720	2,132	2,024	1,780
PELL Allocation	2,838,096	2,315,537	2,102,582	2,202,209	2,142,461
Total Aid Recipients	6,528	6,564	6,531	6,774	6,645
Financial Aid Budget	4,400	4,900	5,050	5,450	5,750

Senator Dodd. We will move now to president Campbell and hear about private institutions.

STATEMENT OF COLIN CAMPBELL, PRESIDENT, WESLEYAN UNIVERSITY

Mr. Campbell. Thank you, Senator, and thank you for inviting me to this discussion this morning. I also have a formal statement which will speak to many of the issues already raised by my colleague, President Casteen. And, in particular, I want to emphasize the concept of partnership to which he has spoken. That partnership has been extremely important to institutions in the private sector, as it has been to the public sector.

Schools such as my own owe their special character to this partnership. That is, we have a student body of diverse color, backgrounds, and financial circumstances, a group which adds immeasurably to and gains from a challenging and rewarding learning environment.

As a result of cooperative efforts involving the Federal Government, the students, their parents and institutions, we all gain immeasurably. And I sbmit, sir, that we must keep it that way.

I think that there are at least two misconceptions at work about student financial assistance programs, and I would like to speak to those briefly: One is that at independent institutions the Federal Government foots most of the bill, and another is that students attending independent institutions for the most part do not need financial aid. Those notions could not be further from the truth, as can be illustrated by circumstances at my institution, a small liberal arts university with an outstanding student body, a vital faculty, excellent facilities and a healthy endowment.

In the current academic year, 1985–86, the number of financial aid students who have demonstrated need as measured by a nationally used formula is 1,082 or 38 percent of the study body.

Of this group, 253 are minority students—approximately 10 percent of the student body. Nearly 1,000 students receive scholarship or grant support totaling over $6.3 million per year. And institutional funds, Wesleyan funds, provide almost 80 percent of the total scholarship and grant dollars.

Students with demonstrated financial need are expected to work and to borrow under the student loan programs, as well as to work during the summer.

At Wesleyan this year, in toto, they must borrow and earn at least $4,600 before they are awarded any scholarship or grant dollars, money which does not have to be repaid. This is hardly a free ride. And, given the demanding schedule of a Wesleyan student, the work expectation represents, I think, a significant burden.

There is another misconception, I think, in the air and that is that independent institutions with endowments are inefficient, even wasteful and that they have plenty of money to spend.

But the presidents of independent colleges and university facilities I know well make every effort to operate their institutions as efficiently and as cost effectively as the CEO's of major businesses with comparable budgets. The available expertise of trustees and their caring stewardship is important in this regard.

Like many institutions, Wesleyan is the wiser and more cost effective for the experience of having to respond to the largess of the 1960's. Then, the faculty was enlarged substantially and cirriculum and physical plant were expanded, and this expansion took place in the blush of a booming stockmarket that fostered an era of optimism and a notion of unlimited resources.

Expenditures far outdistanced income, and capital withdrawals from endowment became large. Then reality set in, much like the national picture of today, I think. The university was spending its funds at a rate well beyond its capacity to replace them.

We were determined to turn that situation around, all of us working together, the faculty, administration, students, alumni and trustees. As the 1970's fell victim to a bleak investment climate, with the energy crisis and double-digit inflation, we planned, modeled, and implemented ways to help us in the long, hard pull back to financial stability.

It took almost a decade and three parallel efforts mandated by our Board of Trustees: Operating expenditures were pared substantially; fund raising for current operating expenses and long-range needs were greatly increased; and the investment portfolio was tightly managed to secure and then decrease our endowment base. We always made certain that cuts had the least possible impact on the educational program.

Through carefully phased reduction of dependence on the endowment for operating funds, and with an increase in our fund raising, we balanced our budget at Wesleyan in 1979–80 and have done so each year since that time.

As a result of this community effort that I have described, our expense budget has declined in real dollar terms by 1.5 percent since 1971. At the same time, the student body has grown from 1,550 to 2,650 undergraduates. For the last 15 years now our average annual expenditure increases have been slightly less than the inflation rate, while the demands on the budget because of a larger student body have increased in a most dramatic way.

And we have emerged from the troubles of the 1970's with a lean administration, a tightly controlled budget, an energy conservation effort that saves many thousands of dollars each year, and a sophisticated planning process that provides our operations with maximum cost effectiveness. Yet, is this enough?

We know that the cost of running institutions is now rising beyond the rate of inflation, as you mentioned this morning, which is to be expected of a labor-intensive operation such as ours.

Part of the responsibility for increased costs rests with the need for catchup to offset the belt-tightening of the 1970's, particularly for faculty compensation and for deferred maintenance.

Scientific equipment and computer systems must be updated periodically so that faculty and students may work at the cutting edge of their disciplines. And the institutional costs of student financial aid grow substantially each year, an item that is difficult to budget owing to the vagueries of the congressional budget process.

We recognize the reality of our situation which is that our revenue base is much smaller than our expenditure base. At Wesleyan, tuition represents about 65 percent of our revenues and 58 percent of our expenditures. So, we know we have to rely on endowment for over $5 million each year, and we anticipate that we will need to increase our reliance on the endowment by 6 percent each year. We know that tuition will rise, but we cannot predict by how much.

We also know that parents need help in paying tuition bills, and so we have developed funding mechanisms of our own: The installment payment plan, the insured tuition payment plan and other programs. To provide parents with access to below market financing for supplemental loans, the university has borrowed funds on a tax-exempt basis through the Connecticut Higher Education and Supplemental Loan Authority.

In short, we are cost conscious about everything we do at the university; and we are price conscious as well. And I disagree completely with the statement that colleges set their costs according to what they think the market will bear at a given time.

We increase tuition because we must and only by the dollars needed. Price is a special concern to us and to all independent institutions intent on retaining a diverse student body.

Unfortunately, the negative publicity that comes with tuition increases and exaggerated announcements of impending cuts in Federal financial aid is inclined to discourage some qualified prospective students from applying to Wesleyan and many comparable schools.

While tuition is increasing, the number of students enrolled who are eligible for financial aid has remained almost constant. There is an apparent self-selection process at work in which many qualified, needy students are avoiding private institutions. We are worried about this, very worried, particularly as it affects the admission of minority students where Wesleyan has been an acknowledged leader for 20 years. That is one reason why a strong program of Federal financial aid is essential.

In my statement, I made some technical comments about the legislation before us, but the main point that I want to make is to urge the continuation of the Supplemental Educational Opportunity Program, the College Work Study Program, the National Direct Student Loan Program, and the Guaranteed Student Loan Program.

Title IV of the Higher Education Act has done an excellent job in assisting millions of needy students to attend college. It is imperative that this effort not be needlessly weakened.

I surely agree with President Casteen that we need to find new and better ways to help. Thank you.

Senator DODD. Thank you very much. That was very comprehensive testimony.

Dr. Vincent.

STATEMENT OF DR. WILLIAM VINCENT, PRESIDENT, MANCHESTER COMMUNITY COLLEGE

Dr. VINCENT. Senator, thank you very much. I certainly appreciate the opportunity to present this testimony this morning. And I want to thank you not only on my own behalf, but on behalf of the numerous constituencies that I represent.

Rather than duplicate some of the testimony that you have already heard, I would like to take a new approach and give you a profile of our student population and indicate why financial aid opportunities are important to community colleges despite the fact that we have been comparatively successful here in Connecticut to holding the line on tuition and fees.

Tuition and fees for State residents attending Connecticut community colleges are kept as low as possible to assure financial accessibility.

This year, for example, a full-time student who is a resident of Connecticut will pay $604 in tuition and fees for the two-semester academic year. But this is only a fraction of that student's actual cost of attending a community college.

Allow me to use Manchester Community College as an illustration. I think it is typical of what you will find throughout the State, and I think our experience is common throughout the United States.

At Manchester, most of our students are nontraditional in the sense that they are not recent high school graduates in the 18-to-19-year-old range who typify entering freshmen in other institutions. Rather, our typical student is in the 28-30-year-old range, female, often a single parent, and not supported at home by his or her parents. Fewer than one-third of our entering freshmen may be characterized as dependent children continuing their education immediately after high school.

The majority of our full-time students carry the burden of costs associated with their education, and these costs normally exceed $6,000, or 10 times the amount of tuition and fees.

Costs for part-time students are proportioned over time.

All of our students commute: there are no dormitories at Manchester. Consider the cost of transportation: A bus pass good for one academic year to and from Hartford is $352, to and from Enfield is $456, to and from Willimantic is $928.

The cost of operating a car from these areas figured conservatively at 40 cents a mile, 3 days a week for 30 weeks is substantially higher. At this rate, for example, the cost of operating a car 20 miles a day round-trip, 3 days a week for 30 weeks would be $810.

Students with pre-school-age children may require day-care services. Our own day-care facility located on campus costs from $210 to $525 for 2 to 5 half-day sessions per semester and from $420 to $1,048 for 2 to 5 full-day sessions.

On the average, a student might pay in the range of $1,200 to $1,500 per academic year for child care in our facility. Child care costs elsewhere are comparable.

In addition, nationally accepted figures supplied by College Scholastic Services place the typical annual expenses for books and supplies at $220—personally, I would quadruple that in some instances—food at $880 and miscellaneous personal expenses at $920. These miscellaneous costs include clothing, recreation and medical expenses.

It is important to note that, exclusive of tuition and fees, students who live on campus, where living costs are subsidized and/or kept to a minimum because of the collective aspect of student life, incur costs that are lower than those incurred by commuting students.

CSS national median figures place the total living expenses for a single full-time student living on campus at $3982 and, for the same student living offcampus, in the range of $4,346 to $4,904, depending on whether he or she is living at home or independently. For a single parent, the cost escalates to $8,722.

Taking a high-cost case—a single parent attending full-time and living independently—the cost of a year at Manchester could easily exceed $10,000.

In determining financial aid eligibility for Manchester Community College students, we use the following budget figures which include tuition, fees, room, board, books, supplies, and transportation. Where applicable, the family contribution to support dependent students is subtracted in determining a grant. What follows in my testimony are some applicant categories where we show comparative 9-month budget figures, and these figures are the figures used in determining grant eligibility and other financial aid eligibility.

But you will note—just to summarize—that, for a single individual with no children, we figure $6,400, a married person with no children at $8,950.

But the point I would like to emphasize is this: while the public may perceive that the cost of attending a community college is low based upon published rates of tuition and fees, the actual cost is substantial.

Without the advantage of low tuition and financial aid, many community college students could not afford to pursue a college education at all.

I should note at this point that a small percent of students in colleges comparable to Manchester fall within the group eligible for significant financial aid. In other words, where the majority of students we serve can and do meet their educational expenses without financial aid, those who do require financial assistance fall within the category of most compelling need.

During 1984–85, 341 students, about 5 percent of our total general fund enrollment, received Pell grants totaling $257,386, or $754 per eligible student.

In all other financial aid categories, we had 247 eligible students who received a total of $99,382, or just over 9 percent of our total general fund enrollment.

We are, therefore, not talking about the wholesale distribution of public funds to support community college students. Rather, we are presently concerned with a very modest commitment to assist those having compelling need. To reduce this funding further would be to deny higher education to individual citizens in direct proportion to the amount that is cut. Thank you very much.

Senator Dodd. Thank you very much. I want to thank all three of you. It is no accident that I asked the three of you to be here. Obviously, we have many other fine college and university presidents throughout the State. But I thought it was important for the committee to have testimony from each sector of Connecticut's education community: large State institutions, private institutions and community colleges, to give examples of the kinds of problems we face in each area.

Dr. Vincent, I think your testimony is unique in this regard: I do not think people think about the costs of a person living independently off campus as compared to the student living on campus in a collective sort of environment where there are various costs.

I think all three of you have displayed very effectively in your prepared testimony the number-crunching kinds of problems, why these situations have arisen, and what you are doing to deal with them.

You are not profitmaking institutions and that is, I think, quite clear. Obviously, there are questions that are asked from time to time, whether it is in the State legislature or in boards of trustees, as to whether or not you could be reducing costs in certain areas, better manage the institutions, etc cetera.

I might just ask about the whole notion of cost containment. Not only have we done this with hospitals at the State level here, but we have addressed it at the Federal level—a few years ago—because of a tremendous rise in the cost of hospital care. Hence, there was an effort to provide a cost-containment provision in Medicare legislation.

That is a pretty harsh way to deal with education. I wonder if you might, just at the outset, comment as to what your reaction would be if such a cost-containment provision were imposed at the Federal level and or the State level with regard to education.

Mr. CASTEEN. Senator, my first observation is that we have, in a sense, been dealing with cost-containment measures for 5 years.

For example, the total number of students who were awarded Pell grants at UCONN in the course of that 5 years diminished from 3,063 in 1980-81 to 1,780 in 1984-85. We have lived with that kind of cost containment for quite some time.

Second, the way in which institutions—and I speak here not specifically about UCONN but about institutions generally, and what I will say probably cuts across the issues of all three of us. The way we find money internally for student aid is by cutting in other places, deferring maintenance on buildings, for example, deferring equipment purchases, controlling library purchase budgets, so that we are buying fewer periodicals, to take one example of what is happening at universities and colleges.

One other way of cost containment is to limit what is called the indirect cost recovery factor on certain kinds of Federal research grants, and that would affect UCONN more than the other two.

But the observation I would make is that the stimulation of research is in the national interest. The indirect cost recovery mechanism is designed to let the university recover some of the unbudgeted costs of conducting research, and not necessarily all of them.

It seems to me that to talk simply about cost containment in the context of the 5 years of de facto cost containment, which we have already seen because inflation was whittling away at the value of money for 5 years, to do that in the absence of the kind of creative approach that you described earlier in your description of your work with Congressman McClusky in regard to youth service is probably not wise.

The College Board's data—President Vincent was citing some numbers a while ago—made very clear that it is already more difficult for minority students, for poor students, for students who have only one parent in the home, for other students to go on to college than it was 5 years ago. And we approach a question of basic national purpose, and I think we have come very near to it at this point. Ability to pay has come to be a determinant of the ability to go on to higher education.

It is also the case that the managerial ingenuity that has been demonstrated in colleges in the last 10 years, with population declines and recession and so on, is extraordinarily good.

We hear repeatedly about ways to control costs within colleges. Ironically, they all turn out to be methods that have already been developed.

President Campbell described the reduction of the scale of administration at Wesleyan. Almost all of us can point to the same kind of experience.

My concern at this point is that we are drifting toward a national policy that nobody has articulated and that, if we take the time to articulate it, we will not buy it. And that policy is one that says ability to pay is going to determine ability to study.

Senator DODD. Before we have further comments, let us move further into that particular issue because that is the essence of what I would like to discuss.

I asked about cost containment because we know that students, university faculties, and so forth have been historically big.

I recall only a few years ago, when I served on the House Judiciary Committee, we were rewriting the bankruptcy laws of the country. I will never forget how we—despite the efforts of some of us to do the contrary—set aside a special category for students in bankruptcy.

Along with felons and people who were in arrears in alimony payments, we prevented them from taking advantage of the Bankruptcy Act for 5 years after graduating from college, despite the fact that there was little evidence to support the notion that students were more inclined to opt for the Bankruptcy Act than others.

What I want to try to emphasize is that I think students were an easy target politically. So, when I mention cost containment to you, I am not necessarily embracing it. But all three of you appreciate the fact that when we start talking about deficit reduction, whether it is at the Federal level or State level, an easy one to go after will be the area of education.

It is incredible, but I anticipate that we will see this. It thus becomes very important that the linkage be made in people's minds between access and opportunities in higher education and this country's ability to retain a vibrant economy, remain an aggressive competitor in international trade and so forth.

So, making that linkage is important, and I see it in three areas. One is the whole question of equality of education, diversity of education, as a result of restrained costs. Certain programs that do not attract a lot of students are very costly to run. When do you start looking, as presidents of colleges, for the kinds of programs that you can just get rid of. And what are the implications of that?

Second, what do students do? If I am a student and I am borrowing money to go to school, what are my career choices likely to be? Am I likely to choose education as a career if I know I am going to be faced with a financial burden that is probably going to leave me crippled under the best of circumstances for a decade or more after I get out?

So, in terms of disciplines they choose while they are students and their career opportunities, what is the impact in terms of attracting quality potential faculty as a result of costs in education?

This is the whole question of people choosing an institution because of the depth of their pockets rather than the depth of their intellect; how is that affecting us?

And, certainly, there is the question of alumni contributions which you rely on so tremendously. Colin, I presume you are looking at that as well in terms of being able to sustain future contributions.

Mr. CAMPBELL. We are always looking at that.

Senator DODD. Going back a little bit to the relationship between grants and loans, there was a time when grants were well over 50 percent of the assistance programs. Now it is 50/50 between grants and loans, and there is every indication we are going to move a lot more into the loan arena and away from the grant arena and many issues come into play here.

So, I wonder if you might just comment about these issues. You have, to some extent, addressed them in your testimony, but these kinds of questions will be serious, it seems to me, as a result of this crunch.

Mr. CAMPBELL. Senator, I think on the quality question we should start with a reminder of the nature of the whole higher education system in this country in all of its diversity. The diversity is really what makes it distinctive and I think significant in terms of the well-being of society over the long term.

This diversity also makes it extremely difficult to define in a Federal or State standard what things ought to be taught and what things ought not to be taught. Diversity produces the richness of the place; it is what leads people to go on to new areas of study, to try new frontiers, to do pioneering work. And that is what is important about our system of higher education.

In the period of the 1970's when we were involved in a real retrenchment, we spent considerable resources building a program in East Asian Studies at Wesleyan because we felt that a better understanding of the Far East, and of non-Western cultures in general, was a vital part of undergraduate education for the future.

Senator DODD. I have been a beneficiary of that program, by the way.

Mr. CAMPBELL. And I think that that kind of activity, that kind of innovation and educational initiative is something that we have to be very careful to protect.

It does not mean that we should be unwatched, that we should be unaccountable, but there are different kinds of accountability for us than marketplace accountability; and it is a quality accountability with students, with parents, and faculty.

And there are plenty of ways, I think, that we can be tested to see whether we are, in the broadest sense, containing our costs, directing our programs satisfactorily.

I would hate to see, for example, small enrollment areas dropped from our curriculum because they are small enrollment areas. They are important even if they are small enrollment areas.

And, indeed, one might even argue that some of the large enrollment areas are not as important as they used to be and we ought to shift our emphasis.

It is that kind of test that makes me somewhat uneasy in this area.

From the perspective of the faculty, let me just say that it is my sense that this country is very fortunate to have the large number of people committed to the academic profession that we have today in light of the poor support that we have provided.

During the 1970's, faculty salaries declined substantially more than salaries generally in society. And it was a sign, I think, to faculties of our lack of a proper sense of priority.

This has been a real concern to us in all of our institutions. We are trying to respond to it today. It has to do with tuition increases, for example, at the moment. It is a valid concern for us to have.

And I hope that we can continue to inspire today's college students and those that follow them to go into the academic profession. But to do that, we have to compensate them properly and we have to compensate them better than we are today.

Senator DODD. But let me just ask you something. You mentioned the enrollment of minority students. Is that changing at all as a result of this crunch? One of the pieces of testimony we had in Washington on this very subject was that a growing number of minority students who come, in many cases, from economically deprived backgrounds just do not want to get involved because of the potential loan burden.

I mean, they would love the education, but when they look at the costs they will wind up paying over the years, it is discouraging. And this affects not only minorities, but other people from financially poor backgrounds. They just do not want to get into it.

Is that the case?

Mr. CAMPBELL. Yes. We are concerned about it. We had a drop this year in our numbers of black freshmen and in our numbers of Hispanic freshmen. And there are probably a variety of reasons for that, but I am talking now about an institution in Connecticut which has had the largest proportion of minority students enrolled in all institutions in the State.

And we see that happening in all places, and we worry about what is going on out there; what is the perception of these students about the accessibility of institutions like ours or, indeed, of any other higher education setting in the country.

As I mentioned earlier, I believe that the publicized proposals to substantially reduce student financial assistance—you know of those proposals because of your work and that of others—have not been nearly as Draconian as they might have been. The proposals themselves have had a kind of chilling effect on the attitudes of minority students.

You will have a minority student from our institution with you later this morning in this hearing, and I hope that he can speak to this issue. It is close to home and he knows what his fellow students are thinking as well as those that would like to follow him.

But I share the sense that was expressed in your hearing in Washington, that this is an increasingly serious problem, and it would be a terrible setback if we were to go to the presixties approach to higher education which really deprived minorities of this process.

Dr. VINCENT. Senator, I would like to give you a specific illustration in direct response to your question. Beforehand, just for context—and I do not intend to be facetious in saying this—anyone who successfully administers a public college in Connecticut for a period of 3 years becomes expert in the management of fiscal austerity.

In the austere circumstances in which our community college has evolved over the past 20 years, we have been working desperately for 20 years to flush out the bare bones of education at that level.

And it is a matter of concern to me—and I know to others—that there are still those in some quarters who assume that management in the public sector is somehow automatically less efficient and less productive than management in other quarters.

But let me get to your question. We recently went through an exercise where we were asked if we were mandated to cut our general fund budget by 5 percent what would the implication be.

And we decided locally to operate on the following premise; that we would do what it would take that would be least disruptive to the institution, displace the fewest students, displace the fewest faculty, deny the fewest accessibility.

And the programs that we would cut that would save us exactly the amount of money needed and displace the fewest students as possible would be our four allied health programs which probably, in terms of service to the State, are our four most important programs.

These are programs in medical laboratory technology, respiratory therapy, occupational therapy and surgical technology.

These programs we heavily subsidize. The students' tuition does not pay one-third of the cost of those programs and, until recently, we have enjoyed excellent cooperation with our affiliated hospitals.

But the hospitals, now, themselves, are in a financial crunch and are faced with problems with payments that I hope we will not have to face in the future but may well have to.

So, pressures grow for the colleges to assume increasing burdens of costs of these allied health students through the various grants at the same time that we are already heavily subsidizing these programs.

I would like to turn the table a little bit and say that, in this sense, the community colleges, in particular, are providing significant State service in this important training area through effective management whereby they take their overall tuition revenues and prorate them so that we can continue to fund these programs.

And, frankly, Senator, I think they are going to be in serious jeopardy unless we find new funding mechanisms for these types of programs.

To eliminate these programs would be, I think, to have a significant impact not only on higher education but in the paramedical and allied health fields, as well.

We have taken some initiatives in addressing this. We have identified sources of private funding that provide full scholarships for every student enrolled in the Allied Health Program to help defer these costs.

But even that will not be sufficient in the next few years without additional sources of funding.

Senator DODD. Thank you for that, Dr. Vincent.

President Casteen, I did not mean to ask just the other two. Maybe you would like to comment. I have asked a rather comprehensive question.

Mr. CASTEEN. Those changes between 1982 and 1983, when we know that large numbers of students were suddenly disenfranchised—you asked about the impact on minority students.

Minority enrollment dropped dramatically in the fall of 1982 as we moved into that new era of the Federal standards, and we dropped especially in traditionally black institutions.

I happened to be a State official responsible for two such institutions in Virginia at the time, and we lost a total of about one-fifth of our enrollment on one of those campuses because of the fact that, suddenly, they were not eligible and, suddenly, they did not have necessary information because the Federal standards were late coming in that year.

Second, we were told at the time that it would be no problem, that those students could go to the community colleges and that they would be absorbed.

The fact is, as Dr. Vincent's colleagues found all over the country, they did not do that because the obstacle that was there because of that sudden increase in cost, shortage of money, was an equally impenetrable obstacle at community colleges.

Third, unemployment for that group of young people has gone up dramatically in the years since, and the Education Commission of the State has now spent 2 years looking at the problem and has realized that a major cause of it is that sudden change in the availability of financial aid.

Black and Hispanic students, according to the College Scholarship Service, carry the highest debt of any students in our system of higher education; they also have the highest attrition rate of any students in the system of higher education. And they are most likely to report they are leaving because they cannot afford the loans they are having to carry to go to college.

Let me talk for just a second about what it actually costs a student to deal with the kinds of loans that we ask students to carry when they are available.

Upon graduation from a 4-year college or completion of the kind of program Dr. Vincent described, it is perfectly conceivable that a student with no work experience, entering the labor market for the first time, can be carrying a debt of $20,000 to $40,000 because of the use of loans and face an interest rate of the prime rate plus 2 percent that floats and has a cap of something like 4 to 5 percent total change over time. That is about one-third the cost of the average mortgage, and that cost is faced by young people who take out loans when 22 or 23 years old, without established careers.

Senator DODD. You gave an example of $20,000 to $40,000. In terms of today's rates, what would be the annual payment?

Mr. **Casteen**. In terms of monthly payments, I have counseled students looking at $500 to $600 as their obligation 18 months out of college who are trying to decide whether they could afford to graduate school because, obviously, they cannot.

Senator **Dodd**. They are not looking forward over an extended period of time?

Mr. **Casteen**. It depends on how the loans are set up. It looks like they will be paying back on these loans for an average of 10 to 12 years.

Now, my own experience under a different system may help somewhat. I borrowed for both undergraduate and graduate school. And I made much lower payments, much more reasonable payments in terms of interest, but I made payments for 10 years to pay for that cost. And I overlapped payments; I paid undergraduate loan payments while going to graduate school by working at extra jobs. And I did not complain about that, but the obstacles these young people face is far greater than the one I faced.

Senator **Dodd**. What I am going to do is submit some written questions to you, as well, because we have already taken over an hour and I had written down here 50 minutes for this particular panel. And I can see what is going to happen because there are so many questions I would like to ask you about the career choices, the burdens and so forth that people face.

I was an English literature major. Today, you should probably have your head examined if you want to be an English literature major, particularly if you want to borrow money to study in that area. The likelihood of being able to pay back that loan based on a career in that discipline is less and less likely. But, obviously, I think it is a good discipline because I was involved with it.

Are you seeing students who might otherwise be choosing liberal arts moving into more business-oriented courses? Not that this is a bad idea per say, but are they making academic choices based on their ability to pay back the loans which they are taking on to pay for their higher education? What can be done about that?

I have been toying with an idea which I would like to raise with you. In order to get people to be certified teachers coming out of our institutions of higher learning, perhaps we should do something like we did in the 1960's; either stretching out loan programs or come up with an additional bit of assistance by reducing rates or whatever in order to encourage people to go into the teaching profession.

Do you have any thoughts at all on this? This is my last question, but I will submit some written questions to you.

Mr. **Casteen**. You see some of that, Senator, but I think it is worse when you do not see those young people at all because the system has become such that they go through high school believing that the aid is not available.

And when they find out the terms upon which it is available, high school seniors quite often do not come to college.

If you look at our economy and you look at educational opportunities of the community college and the technical colleges now, we should be seeing record growth in enrollments in our institutions. Young people and adults need access to the kinds of education that Dr. Vincent offers more today than they ever have.

Yet, it is not happening. And, frankly, I think a key reason is that there is a psychological barrier which keeps large numbers of kids of the type we are interested in from ever coming to us.

Dr. VINCENT. Just to back up what President Casteen said, we are finding a slow decline in the number of minority students we can attract, and the reason is, basically, we cannot provide support services that they need to ensure successful entry into higher education.

Mr. CAMPBELL. I think we need some more significant research on the question which you have asked to get a fair sense of what is happening out there.

We do know the kind of shift to more specialized and professional programs has been going on for quite a period of time.

But we also know from our own experience at a place like Wesleyan, for example, that the English major is still the largest major at our institution. And I think it is terribly important that that is the case.

What I believe is going to be needed, though, is a continuing and very substantial public effort to emphasize the importance of liberal arts and sciences to the long-term well-being of society; that professional education has its very legitimate, important place, but so does liberal arts and sciences.

And I think that we have got to do a better job than we have been doing, and we are trying to do that in our own institutions.

With respect to people going into teaching at the college level or, indeed, at the elementary and secondary levels, I think that we are seeing a discouraging response at the college level from our undergraduates because they feel that there is not the opportunity out there for the future. And I think that that is an important problem and one that we need to address or we are going to have a shortage of fine college teachers and researchers in the years ahead.

At the secondary and elementary level, I think the situation is a little simpler. In all candor, I think that when society compensates its teachers adequately in secondary and elementary systems, then the teachers will be there. After all, they must support their families and they have their own lives as well. It is discouraging when one looks at the kinds of salaries they are being paid.

There is an effort now under way in Connecticut to respond to the situation, and I think that it is a very important effort. I hope that it gets strong support.

Senator DODD. I do not disagree with that. I think that if you take the numbers that you were talking about, President Casteen—a $300 to $500 monthly financial loan burden—it would not matter if the State legislatures and boards of education decided to do something immediately to beef up those salaries; you cannot beef them up enough to offset that kind of a loan burden.

Anyhow, I really do appreciate your well-given, excellent testimony here this morning. It is tremendously helpful.

Again, President Casteen, we are absolutely thrilled that you are here in the State. We look forward to working with you.

And I know I speak for Lowell Weicker and for other members of the congressional delegation; I think you will find a very receptive bipartisan congressional delegation in support of higher education. And we count on you letting us know whatever we can do to be of help to you in your job, to the university and the State. So, best wishes to you.

And, again, I thank you, Colin and Dr. Vincent, for being here this morning. I will submit some additional questions to you, and I apologize for taking more time than I promised you I would. Thank you.

Senator DODD. We are going to change the agenda just slightly. I am going to ask Dr. Norma Glasgow to come up to the witness table if she will.

And I apologize to panel II. We will get to you very shortly.

Dr. Glasgow, please come forward.

Because of the schedule that Dr. Glasgow has, we are going to move her up in the agenda, and then we will get to panel II: parents and students.

After that, and the student-aid panel, any of you faculty who would be interested in making some statements—I am going to try and get a representative group. I suspect that there are an awful lot of you here and, if you are anything like my brothers and sisters who are teachers, you like to talk a lot.

So, we are going to get a representative group of you, if we can, to testify later.

Dr. Glasgow, we thank you very much for being here this morning. I apologize for the delay already. We are glad to accept your testimony and, if you can paraphrase it for us, we will see that the full text is included in the record.

STATEMENT OF DR. NORMA GLASGOW, COMMISSIONER OF HIGHER EDUCATION, STATE OF CONNECTICUT

Dr. GLASGOW. Thank you, Senator. I am very grateful for the opportunity to speak in regard to the reauthorization of the Higher Education Act. I also am very grateful to you for holding this hearing in Connecticut because, thanks to your work and the work which preceeded both of us, I think this State is exemplary in terms of its diversity of higher education and quality of fine institutions, both public and private. We have one of the highest college attendance rates in the Nation which we need to retain.

The three college presidents who spoke before me eloquently addressed the issue of financial aid. I would certainly echo their concern, but I wish to broaden my remarks with regard to the reauthorization, recognizing that what the Federal Government does in regard to higher education across all sections of that act will impact on more aspects than just financial aid.

Our institutions are facing changing demographics with dropping numbers of 18-to-24-year-olds, rising numbers of part-time students and, older students wishing to reenter college. They face rising costs. We have aging facilities, aging equipment.

These are no longer forecasts of the future. These are the daily realities with which students and colleges deal, and that is the context within which you as Senators and Representatives are looking at the Reauthorization Act.

This is at a time when a serious reassessment of higher education is demanded because we are also looking at a tremendous deficit that I know you must be concerned about, that we all must be concerned about.

But let me suggest just several concepts for your consideration as you look at the Higher Education Reauthorization Act. I would hope that there would be recognition that access to higher education is in the national interest and, is therefore, a Federal issue especially in terms of financial aid that makes it possible for students to attend colleges across the country.

This has long been our philosphy of student financial aid. I hope it will not be lost. That philosophy provides choice, it enables students to select institutions best fitted to their needs and enables them to attend college based upon their intellect and not their pocketbooks.

Second, we cannot underestimate higher education's enormous contribution to the economic well-being of this country and its whole economic future. More so now than ever, America depends upon its brainpower if we are to continue to flourish. We hope that higher education will continue to serve as a frontier for research, invention, and for the solid foundation of our understanding of people and events around the world.

The Federal involvement in higher education should be limited because we not only recognize but we welcome the fact that the conduct of programs is primarily the State's responsibility.

But access for students is an item that must be shared federally. The States at this time provide at least three times the amount of money that the Federal Government does in support of higher education. We hope Federal initiatives will be conducted in tandem with the States. We need to be on the same track.

I would certainly emphasize the need to assess the impact of Federal higher education programs on the States. We need to work together to ensure our priorities are the same and are not at odds with each other

Now, to recognize State priorities in plans, the States, I think, should have the opportunity to look at the programs the Federal Government is authorizing and to review and comment on the different priorities and philosophical thrusts.

I am hopeful that the Federal Government will continue its commitment to access to students, its commitment to research and its commitment to the underpinnings of higher education in both the liberal arts and the professional areas.

Now, on the need for sustaining Federal involvement in student aid, I am going to just read a few brief remarks I have prepared in light of the testimony previously given.

I would only note that the College Scholarship Service estimates that only 27 percent of families are able to pay fully the average annual costs of going to college. Only 12 percent can afford the cost of private, 4-year institutions.

Student financial aid is essential if we are to retain our commitment to access for our students. This does not mean that we should not have some bold, new approaches as certain of those you discussed already.

I think we should look at a system for educational savings and I think we should also look at Federal loan banks which would allow students who borrow to repay based on annual earnings. Let us examine those alternatives.

And I certainly would like to explore the proposal by Frank Newman, of the education commissioner of the States and others in regard to permitting college students to perform community service in exchange for financial aid, therefore benefiting both society and the students and addressing the desire for more civic involvement of students in today's society.

I think all of these are worth examing but, unfortunately all the innovations can only be fully explored after the reauthorization. Therefore, we would like to look at how can we modify the existing programs as we move forward to some new ones.

I would certainly hope that the SSIG Program could continue to be supported because it has done much to stimulate grant support which is so badly needed now to try to balance grants and loans.

For example, 12 years ago, only 28 States had undergraduate student aid programs and, this academic year, 50 States have such programs which are providing more than 1.4 billion to more than 1.3 million students.

SSIG has been a successful program and a partnership between States and the Federal Government which I hope can be continued.

Again, the student loan program is the most costly but is also the most widely used. I hope we do not become overly dependent on it.

And I certainly applaud some of the steps taken to reduce costs. I know there are some $810 million savings in the GSL Program being proposed to lower the cost of administration and to lower default rates.

All of these I applaud and believe should be continued in the future.

Now, there have been some suggestions about raising the annual and the aggregate loan ceilings for guaranteed student loans. I would hope that we consider some negative consequences of those actions.

We have already talked about the burden of student loan debts. This could only increase that burden, and too many are already saddled with loan debts.

If two students go after a $30,000 loan for their graduate education and they have limited resources and they marry each other, I do not know how they are ever going to repay those loans buy a house and have children.

Now, one alternative to a blanket increase is to raise levels, as one goes up the ladder through higher education. In terms of determining eligibility, I would urge you to resist the temptation of locking a needs analysis formula into law. It is tempting, but economic conditions, tax laws, family financial planning patterns do change. And to have a formula in law, I think, can be detrimental both to the Government and to the students.

I would certainly support establishing a national commission on student assistance standards. That has been discussed by the College Board, the National Commission on Student Financial and the National Student Aid Coalition. This could operate as an independent agency within the executive branch to advise the Secretary of Education.

President Casteen spoke to the difficult and hardship of students because advice and information was not available to students in time for them to attend college.

Now, if I could just turn away from student financial aid to title VII, this has to do with funds for facilities and equipment, modernization and improvement of campus facilities. This is becoming increasingly difficult and problemmatical for colleges and universities.

Many of Connecticut's higher education facilities, for example, were built in the 1950's and 1960's. In the 1970's, because of the money crunch, as President Casteen mentioned, maintenance was deferred; that which could have been spent on the buildings, was spent on students, faculty, and other services and rightfully so.

But now we are faced with something of a crisis in terms of obsolete equipment and facilities in desperate need of repair.

So, I would hope that there could be some Federal funding in title VII to help in facilities restoration and restoration of infrastructures as that remains a serious problem for higher education.

Now, the State is already turning in this direction; we are spending about $15 million this year. But the Federal/State partnership could be of great assistance in this area. And I have already spoken to the need for coordination and involvement on this level.

I would also note that title VI and title I, I feel, are essential in terms of particularly teacher education areas, in the areas of math and science, where we desperately need students.

The State Higher Education Executive Officers Group, I think, has already made statements to you in regard to these, and I support those as a member of that group.

I would also like to respond to some of your questions about the rising costs of education.

The effective use of resources is a shared concern of all of us. Costs are rising but, in large measure, there are some legitimate reasons for the increase.

That does not mean that we cannot do a better job of management, but this is going to be incremental. There was an extended period of expansion in Connecticut higher education, particularly in the public education, and there was not concomitant attention to management and budgeting. So, as a result, we are having to do some catch up in terms of adequate levels of funding. There is a catchup going on—to make faculty salaries competitive, to finance basic equipment requirements, to invest in the new educational technologies, to restore our library collections which were neglected and to provide the variety of programs that are needed, such as the allied health programs that were mentioned by Dr. Vincent.

The costs of capital restoration and renovation are high; so is the cost of upgrading computers and research equipment. Faculty salaries still are trying to catch up to appropriate levels.

In collective bargaining, there was a significant rise in faculty compensation and fringe benefits, but recent rises in faculty salaries are still compensating for the years in the 1970's when they did not grow.

Higher education is extremely labor intensive. We do have an issue both in terms of management flexibility and cost in regard to high tenure rates in many of our colleges and universities.

So, institutional flexibility in the reallocation of faculty resources is an issue at which we will need to look closely.

Higher education's research commitment is also expensive. It is more expensive to create new ideas and new technologies than to adopt them, so that we will require some funding for research beyond inflationary levels.

No one is helped when higher costs result in higher tuition and shutout qualified individuals, so cost containment is important.

I will forward to you information regarding further suggestions. Thank you.

Senator DODD. Thank you very much for a very comprehensive piece of testimony here this morning. You have always been very gracious in providing us with your time, and I thank you again for being here this morning.

I hope we have not delayed you unnecessarily.

Dr. GLASGOW. This is the kind of delay which higher education benefits from.

Senator DODD. I would like to thank you for coming, and can assure you that we will give your suggestions serious consideration.

Our next panel of witnesses consists of David Hill, who is a student at Wesleyan University; Mr. Robert Schnitman, who is a student at Quinnipiac College; Mrs. Mary Carew, a parent and a student at Trinity College; and James Loughlin, who is the parent of a student in Kensington, CT.

We are grateful to all four of you for being here this morning. I apologize to the panel for having you wait until Dr. Glasgow got through her testimony but, because of scheduling conflicts, she had to be moved up.

I hope we have not inconvenienced you in any way. I know some of you have statements, prepared statements. To the extent possible, I would ask you to try and abbreviate those and we will see that they are made a permanent part of the record.

STATEMENT OF DR. JAMES LOUGHLIN, PARENT, KENSINGTON, CT

Dr. LOUGHLIN. Thank you, Senator Dodd, for giving me the opportunity to present a prepared statement. I am here today not only as a parent of three school-age children, but as a faculty member and an economist.

Recently my son, Christopher, who had completed his first year as a dean's list student at Catholic University in Washington, DC, transferred to Central Connecticut State University, a public institution, to complete his undergraduate studies. Financial assistance played an important role in this family decision.

For his freshman year, Chris received a Boys' Club grant of $2,000, a grant of $2,500 from Catholic University and student loans totaling about $3,300. My wife and I made up the difference of approximately $4,000, while expending an additional $5,000 in educational costs for our two other children.

For Chris' sophomore year, his aid package was reduced to the extent that he received only $1,300 in grant money, $3,500 in loans and $1,000 of work study while facing a $900 increase in tuition, room and board costs.

In effect, our family was asked to shoulder, both through present savings and future debt repayment, all but $1,300 of the approximately $12,000 cost of our son's college education.

While it would have been within our capability to meet this increased cost for Chris, we had two other children to consider; our youngest son entering parochial high school and our daughter entering law school at the University of Virginia.

Our out-of-pocket family costs would have been about $5,000 for these expenses, not including——

Senator DODD. That is just the other two children?

Dr. LOUGHLIN. Just the other two. So, we are talking about, potentially, a $16,000 to $17,000 bill. Thus, our overall family education costs could have exceeded $20,000 for the school year.

Since Chris's long-term plans include the desire to be a physician, our family had to decide whether making a short-run financial sacrifice would be beneficial in the long run.

It would make no sense to deplete all of our savings from past and current income for our son's undergraduate degree only to have no resources available for his professional training. In addition, Chris had to consider whether he was prepared to face medical school with its high debt needs, owing over $16,000 for his undergraduate education.

His choice, with our consultation, was to transfer to Central Connecticut State University. Though I am not here to debate the benefits of private versus public education, Chris would rather have returned to Catholic University as he found the school academically and athletically challenging. In addition, he enjoyed the cultural experience of residing in Washington, DC and benefited from the independence of living away from home and with students from a variety of cultural backgrounds

He also hoped to benefit from Catholic University's fine pre-med program.

If education were limited to academic program per se, all of my children would attend public schools in Connecticut. I believe, however, that private college education plays an important role in society.

Had our daughter, Stephanie, not received an academic scholarship which enabled her to attend Catholic University as an undergraduate student, I believe her potential would not have been realized.

I hoped the committee understands that although I am here because the rising cost of higher education has caused financial strain for our family, I am also here to caution you as to the long-run implications of making unwise short-term decisions for our Nation.

When my wife and I were married 22 years ago, we had few financial resources. In fact, we had to borrow the $84 portion of our first child's hospital bill from our in-laws.

During the first few years of our marriage, most money, apart from necessities, went to repayment of my student loans which, I might add, was a large percent of my income at that time. Yes, I was one of the many who did keep that commitment. Education is and has always been a priority in our family.

When our children were young, my wife returned to college to obtain a bachelor's and master's degree. Since I chose to remain in education as an economist, finances, at times, were tight, and my wife eventually began working outside the home to supplement family income and maximize her potential.

Because we chose to spend money on our children's education in the face of rising educational costs, we have little money remaining for discretionary purchases, as reflected in the fact that I drove over to this committee meeting in my 1965 Chevrolet.

However, we did not begrudge the long years of sacrifice because we believed that the work and thrift ethic would pay off in the long run. We were very naive.

Our daughter, a National Merit Finalist, was not entitled to any substantial financial aid because we were not needy enough.

We discovered that scholarships are not, in fact, scholarships but needships. It was disheartening to realize that it might have been better if we had not worked two jobs, saved, or built up home equity over the years, as we were thereby penalized according to the needs test.

This is the feeling of many parents. I do not know what the answers are. We are, to be sure, an upper middle income family, but the high cost of education makes it difficult, if not impossible, for us to provide the $15,000 expected family contribution in after-tax dollars, not including the $2,000 parochial school education for our younger son.

Perhaps the methodologies that are used to determine student eligibility for financial aid should be reviewed. I am not stating that financial aid should be taken away from the truly needy but, if financial aid for higher education is limited only to lower income brackets, many hard-working people in middle to upper middle income brackets will find the choices for their children to be severely limited; many highly motivated and intelligent students will be discouraged from maximizing their potentials. The maximization of human capital is an important aspect of the social and economic well-being of a nation.

Therefore, the long-term implications of such a course are not merely financial.

The costs of higher education are exceedingly high, and students are being forced to borrow more and more. This high debt burden will have a serious effect on the future economic health of the Nation by distorting career goals. We referred to that previously.

For example, incentives are created which discourage students from entering traditionally lower paying social service occupations in favor of those occupations which are more rewarding financially.

As middle-income parents, we are not looking for handouts but we are looking for some appreciation and reinforcement of our values as productive members of society.

I firmly believe that, if these values are not affirmed in a tangible way, the long-term consequences to society will be the extinguishing of these positive values and the substitution of negative ones. It is for you to decide.

Thank you again for the opportunity to present my ideas which I believe represent those of many parents in similar circumstances.

Senator Dodd. I believe they do, as well. I thank you, Dr. Loughlin. Let me go on now to the other speakers on the panel, and then we will return for discussion.

STATEMENT OF MARY CAREW, PARENT AND STUDENT, TRINITY COLLEGE, CONNECTICUT

Mrs. Carew. Good morning. I do not have a prepared statement, but I would like to equate you with the facts of my——

Senator Dodd. Would you speak up a little bit so that we can all hear you, please?

Mrs. Carew. I am involved in the bachelor's program at Trinity College. My husband is involved in an associates program at Matatuck Community College. My son is a senior at Boston College. My daughter is a junior at Franklin Pierce College.

We have been involved in the financing of three previous college educations. Those three children are now financially independent.

We have a son who is a junior at Pomperang High School in Southbury, CT, and our daughter is in the eighth grade in school in Middlebury. I would like to say that our family took out student loans this academic year to the tune of $7,500. Our debts are really increasing.

As you may gather, education is a priority with us. My son, who is a senior, is an economics and history major, and he is interested in graduate school. I do not know if that will be possible for him at this time.

One thing that I am concerned about is that, on financial need applications, the fact that parents are students is not counted. They are separated when financial need is being assessed and our true financial needs are not addressed.

In our family, I work and my husband works and my children work usually two jobs in the summer. Another concern I have is that, as they become upper classmen, if there were jobs available, paid internships in their fields, it could help them in addressing their future job goals.

I do not think there is anything else that I have to tell you other than that I am becoming a little frustrated because the program I am in is very demanding. And while I enjoy my job, I am really not able to perform at the level I think I am capable of because of the diversity of things that I am trying to accomplish.

Please consider some type of financial help for the adult student returning to college. This might be some type of program which would dispense with repayment of loans or discount the amount due if certain requirements were met, such as public service or employment in certain designated fields. Scholarships which relate particularly to people in this category would also be helpful.

Adult students are highly motivated and serious. They deserve help. Their improved education will improve our society, and their opportunities in it. Widows and single parents have a difficult time as parents and as people and they are an increasingly large portion of our population. Please do what you can to improve opportunities for people working toward college degrees, and please include in that group a program which considers the needs of the nontraditional student.

I do not think I have anything else to say. Thank you very much.

Senator DODD. You said it all, I think. With that kind of burden, you ought to be made Director of the Office of Management and Budget, if you are handling all of that and manage to show up here this morning as well. You have either discovered some sort of miracle drug or—it is just remarkable.

I thank you for being here, Mrs. Carew, and I will have some questions for you after the other speakers have had an opportunity to testify.

STATEMENT OF ROBERT SCHNITMAN, STUDENT, QUINNIPIAC COLLEGE, CONNECTICUT

Mr. SCHNITMAN. Good morning, Senator Dodd. My name is Bob Schnitman, and I attend Quinnipiac College in Hamden, Connecticut.

I previously attended a community college in Tennessee and, there, I needed no financial aid due to lower costs.

Then I decided to transfer. I wanted to attend the best school possible, my field being in respiratory therapy. There are only approximately 25 schools in the country that teach this program as a 4-year major. I could not afford to go west. I chose Quinnipiac in Connecticut, a private college, to attend.

I then started to seek ways to obtain financial aid. I am independent and I receive no financial help from my family. I found that the amount of money I had in savings, which was minimal, plus what I had as taxable income from my job hindered my efforts more than it helped in trying to obtain money.

Pell only allows one so much before they completely cut you out. I obtained GSL and MDSL which provided $2,335 and $1,500 respectively toward the $9,800 expense to follow the coming year for tuition and room.

Books, food, transportation, medical expenses, insurance were to add to this amount.

Also, I found that tuition and room was to increase each year without any extra income or increase in grant amounts.

I did qualify for a Pell and a college grant that year, but finding the balance of the moneys to attend was very difficult.

For some people, finding $2,000 may be petty cash but, for me, it was like putting a $50 deposit on a Rolls Royce and coming up with the rest of the cash in a short period of time.

I could not borrow at a bank because I could not get deferred payments. Yes, my parents could have obtained a loan for me, but I am an adult, and I want to be able to pay my way through college.

During my junior year, I received no Pell money because the amount that the Pell Grant Program will allow for living costs for a students is too low.

Determining how I am going to get the rest of the money puts enormous pressure on me mentally and physically. Who can I turn to for help? There is someone right in line behind me to take my seat.

This year, I have three jobs and can only manage approximately 40 hours per month due to the extensive study necessary in my field.

The job earnings are less than $220 per month. I have borrowed the maximum on GSL and have received Pell MDSL and a small Quinnipiac grant this year but still fall short of my expense for the second semester.

I have exhausted my sources with one semester left to graduate I ask myself will I graduate.

I note that, during the past two summers, my work in a job was limited due to summer school. This expense is over $960 for 10 weeks of class.

During this 10 weeks, 28 weeks of work is completed which is a full school year.

I would like to also list some extra costs incurred that I and others face each year excluding tuition and room. Books in the health field average $220 per year; food, $580 to $630 per semester; transportation—I go to clinical which is part of my class. I have to travel to Hartford, Waterbury, New Haven and New Britain. This costs over $400 per year. Miscellaneous supplies and lab fees cost from $80 to $260; other student health fees and car upkeep are additional.

Also, for me, to visit my family is difficult due to their distance.

To close, I am far from being lazy. Some may think I do not work enough at a job to earn extra money. I am attending a college to obtain an education which is what I should be able to do. I should not have to constantly worry about working and finding sources of money. This greatly hinders my concentration on studies.

I am doing the best I can in the field I have chosen to be my life. As for my future, I hope to obtain a master's degree and also work to help those who are sick and cannot afford medical help.

I know the pressures the poor feel. They deserve the best care I can give them without worrying about money. Would that not be nice; to obtain an education without worrying, a lot of worrying, about finances.

All I ask is to receive more sufficient funding, not total funding. I and others want to receive the best training possible and attend the college of our choice to help make America a more intelligent and healthful society.

Thank you.

Senator Dodd. Thank you very much for your testimony.

STATEMENT OF DAVID HILL, STUDENT, WESLEYAN UNIVERSITY IN CONNECTICUT

Mr. Hill. Thank you, Senator Dodd, for giving me this opportunity.

I am a senior at Wesleyan University. During my freshman year and during my sophomore year, I received financial aid packages made up of guaranteed student loan, work study funds and limited scholarships.

At the beginning of my junior year, it became apparent, because of the rising standards of all these programs, that I would not any longer have any aid. And I came very close to being forced to withdraw from Wesleyan due strictly to financial reasons.

I received aid for this year in the same form as my freshman and sophomore year because, basically, my sister entered Wesleyan as a freshman this year, therefore decreasing my family responsibility.

I am among the exceptions at Wesleyan, however; a majority of minority students receive much larger aid packages. In 1983–84, last year, Wesleyan saw its peak in terms of minority enrollment. There were 60 black students who enrolled at Wesleyan. This year, that number is somewhere in the area of 42 students.

I have worked in informal capacities with admissions, talked to many students in Massachusetts, in Boston, students of a lower socioeconomic background, for whom the cost of education is key.

A lot of them cite the fact that, although they are perfectly qualified and good students, Wesleyan just costs too much, and they are not going to be able to pay for it; so, they do not even bother applying or enrolling. For me, this is very frustrating.

In my own class, we had 55 entering minority students. Of those 55, 15 are no longer there; many of those citing financial reasons and 20 of them were forced to interrupt the course of their academic preparation because they had to take a semester off to work to earn money or they could just not afford it; they had to do something else. They could not continue at Wesleyan because they could not afford it, so they had to manage their lives some other way.

I look and I wonder what the future is for private institutions. What I really think could evolve out of this situation of increasing costs is that the private college education system will no longer reflect the makeup of society. I really think that this aspect is important. I really think you should have all members of society represented in schools like Wesleyan.

One of the things I looked at as an incoming freshman was the different perspective I saw in the numbers of varying groups and individuals on campus, and I think this positive aspect is being increasingly threatened.

I think what you may have instead of a group reflecting the makeup of society, a group of diverse people, is you will and up having student bodies at private institutions like Wesleyan basically being made up of the affluent in our society.

And I really think that that situation would be to the collective detriment to us as a nation. As President Campbell mentioned earlier, diversity is key to our society, the key to pioneering, the key to innovation, and innovation leads to growth.

Heterogeniety is the foundation of diversity, and that is being threatened right now, truly threatened.

We have got to keep this in mind as we go forth, and try to come up with some sort of remedy for this situation.

Thank you very much.

Senator DODD. Thank you, David, very much for your testimony this morning.

Let me, if I can, raise several questions to all four of you.

We heard from three college presidents here this morning, two of whom I know very well. And we talked about the kind of problems they face in terms of rising costs, maintaining the institutions, and so forth.

Let me begin with you, Dr. Loughlin, and I will ask you about Catholic University because that is where your son was. And I will ask about the old bait and switch situation that may have occurred there.

I wrote down the numbers you mentioned here. You've got $4,500 in scholarships in the first year your son was there, $3,300 in loans and $4,000 that the family came up with, right?

Dr. LOUGHLIN. Yes.

Senator DODD. And the next year, it switched. That $4,500 went down to $1,300?

Dr. LOUGHLIN. Except there was a $1,000 work study that I might not have mentioned.

Senator DODD. Now it appears that when your son came in as a freshman, he got a fairly good deal and found in the second year that those numbers had changed dramatically.

But he was already in at that point and, obviously, there is a tremendous amount of personal disruption, not to mention the difficulty of transferring grades, credits and so forth, if he wanted to transfer. Do you feel as though after acceptance, the ground rules were changed on you and him?

Dr. LOUGHLIN. Well, in talking to some other parents whose children had been at private schools, I hear that this does happen on occasion. I do not know—I cannot say what percentage of cases that occurs in, but it does happen. But I could cite a few other instances where friends of Chris were at schools and, after the first year, they were getting reduced financial aid and had to make the choice of whether or not to bite the bullet or drop out of the program.

I can think of two other instances that come to mind. In fact, my son's roommate called him up frantically during the middle of the summer saying, "Chris, I had a big drop this year in my financial aid. What does yours look like?"

So, it happened to my son's roommate. I do not want to mention colleges, but I can cite several other instances in which this has happened.

Whether this is a widespread trend I do not know, but we felt we were misled. We were just given the initial financial aid package.

Given my daughter being in college and my other son being in parochial school, we were sort of on the margin, but we did go ahead with sending Chris to Catholic University.

Between the 2 years, there was not a drastic change in my gross income or my adjusted gross income and, in spite of this, we still got a drop in grant aid.

In fact, we were very shocked because my daughter's financial needs this year were greater than her financial needs last year because she was going to law school and our estimated contributions were much larger at the University of Virginia than they were at Catholic University.

So, what I am basically saying is that there is very little change in my adjusted gross income. Yet, our overall estimated family contribution was set higher and we received a drop in financial aid.

Again, it was enough to make us reconsider. Chris had to consider whether or not he wanted to borrow a lot of money and we had to make decisions on whether or not we could sacrifice some more.

And we ultimately decided to switch and have him go to a public institution.

Senator DODD. Well, let me ask the same question of the other three witnesses. I am not trying to single out individual financial aid officers or institutions and so forth.

But I noted recently that St. Joseph's College in Hartford, CT, recently advertised a program where they offer student assistance at a fixed rate for 4 years, like a mortgage; and if you borrow money coming in as a freshman, you are guaranteed that that rate will not change over the 4 years.

This caught my eye as being a very clever idea which offered some people stability as they look down the road 4 years to the kinds of costs they would have to incur.

Do you feel, all three of you, that you were getting straight information initially?

Mrs. Carew, you have got a tremendous burden in your family, and I fully appreciate the commitment your family obviously has made to education.

But, realistically, with that many people in school simultaneously, are you taking on more of a financial burden than you probably should be?

Mrs. CAREW. That is probably true.

Senator DODD. Were you lured in a bit?

Mrs. CAREW. No, I do not think so. I think it was a decision on our part. These are our priorities. There are other things that we do not have.

We have a house with one bathroom, for example, which is a considerable sacrifice among that many people. We are talking about priorities.

Mr. SCHNITMAN. I was going to say that it was not a problem getting the moneys, MDSL, GSL money, and the Pell. The problem was the amounts of money you received toward the education were very low.

And if I could have borrowed two MDSL's a year, which would give me 5,000 a year, that would have been great, but I could only borrow once a year. I could only get *X* number of dollars per year, and this represented the biggest problem that I had. It was the amounts, the dollar figures.

Senator DODD. Have your grades been affected?

Mr. SCHNITMAN. Well, my junior year is a good example. I was a resident assistant which—this person is picked and you have to have a high standing, and you are picked to oversee students in the dorm.

This covers room and board. You get that. Well, what happened when I received that is that I lost out on other aid because I was qualified for this, and I seemed to have lost out on other aid because of it.

I lost a part-time job off campus because my job as a residential assistant made me stay on campus, and I lost this money also.

So, right there, I lost a lot of extra money. My grades that year—well, I made the dean's list that year, but it was a lot of hard work and a lot of worrying about where my money was going to be coming from because I have nobody to look to but myself. And everything I received, even with my part-time working was very insufficient.

Senator DODD. You are now in your senior year?

Mr. SCHNITMAN. Yes.

Senator DODD. So, you worked out the arrangements for this semester?

Mr. SCHNITMAN. This semester has been worked out.

Senator DODD. But your concern is about your last semester?

Mr. SCHNITMAN. I am short by approximately $1,700. I have no bank account and my checking account only pays for miscellanous small expenses.

So, at this time, I have no money available for next semester.

Senator DODD. Are you trying to work that out with Quinnipiac?

Mr. SCHNITMAN. I am in the process of working that out now. And, you know, when you become a senior and you have gone all that way through college and you are ready to go out into the world and then, you get to the last semester and you do not have the money, it is kind of a shock to say what is going to happen.

Senator DODD. Mr. Hill?

Mr. HILL. I am a little bit different from Bob in that I am not an independent student. But what happened with me—it was quite distressing at the time—was, as a freshman, I had a very significant aid package.

But in my sophomore year, my aid package was significantly reduced. There was no scholarship. All that was basically included was GSL and the work study funds.

This came as a shock not only to me, but to my parents who, all of a sudden, had this much more to come up with; I believe it was somewhere in the neighborhood of $4,500 more to pay that they were not planning on.

The situation I am in—both of my parents are solidly of middle-class standing, but everything is planned. They had planned on a certain amount and they had planned based on my freshman year financial aid package how much to put away. And what happened was that I had this $4,500 increase of what I had to pay, and there was a lot of scrambling that went on.

And as I mentioned before in my testimony, in my junior year, I lost all of my financial aid. I had no financial aid given to me, as I was not even eligible for a guaranteed student loan.

And what happened was that the package was suddenly altered in a way that enabled me to take on a GSL, but I was not eligible for work study. So, there was this constant shuffling.

And, for me, it was more—I was leaning on my parents more, so to speak, because my financial aid was essentially whittled away.

Senator DODD. Let me ask something of the parents again here. When you sat down, Dr. Loughlin, did you ask the financial officers of the schools, "What is this going to cost for 4 years? What sort of guarantees do I get or are there no guarantees on this financial aid being continued?"

Did the aid officers tell you, "Let me tell you, now, Dr. Loughlin, you have got this many children; you have got one in law school, this is what your adjusted gross income is, and this is what we anticipate our likely increase in tuition will be over the next 4 years. Here is the amount you are going to have to come up with over the next 4 years. Now, do you fully understand the financial implications of your son enrolling here and the financial obligations which you will incur?"?

Was there any kind of discussion along those lines?

Dr. **Loughlin**. Well, you do not really have that kind of contact with any financial aid officer, as a rule, at least in the schools that my children attended.

As a parent, I can say you probably have a little myopia; you do not want to think about the potential cost of yoir children going to college. It is something that you try to blot out of your mind.

Of course, I did not know that my daughter was going to go to law school so, to that extent, I was unable to make any kind of estimate about the potential cost.

But I think that, as a parent, I can say that we did not really want to look at the 4-year program. I think it scares you.

I think I will start thinking about it more in the future.

But I did get a parents' bulletin from Catholic University the other day because my daughter did graduate, and on the inside cover was a picture of a baby; and it said, "Will you be able to afford a college education for this baby in the year 2001?" And right below the picture was a figure of $130,000 for a 4-year education based on current tuition and room and board trends.

Maybe something like that I would have preferred to have seen a few years ago because I doubt that my adjusted gross income will increase as fast as tuition, room and board costs will.

I think that when you first sit down, you do not really consider the whole picture. When you look at your disposable income after Uncle Sam and everybody is paid, you really start saying, "Gee, what have I really got left?"

And then you find out belatedly that we are talking about 35 to 40 percent of this disposable income being asked to be spent on education.

But to answer your question more directly, I do not think I considered the future implications of my children's initial enrollment at some of these colleges.

Senator **Dodd**. Mrs. Carew?

Mrs. **Carew**. Yes, we did consider that. When our first daughter was going off to college, we told her that she could attend any State college that she chose and we would pay.

She did not choose to attend a State college. So, against our better advice or whatever, she applied to several schools and she was accepted at a very good school. And the aid package that they offered her was excellent.

The WDSL is a wonderful thing; it is just marvelous. But unfortunately there is just not enough of it.

But she was able to attend the school that she chose and to pay her loans and to live very well afterwards. She was able to support herself and the figures she was dealing with were reasonable.

Now, what the situation will be with my other two children I really do not know, but they are going to have considerably more indebtedness.

And whether graduate school will be in the cards for my son or whether he will have to wait for a while after he completes his undergraduate studies, I really do not know.

The control factor that we have is my education. Now, I am paying for my education—let me back up for a minute. My children, I believe at both of their schools the financial aid officers were up front. We did go to them and explained our situation. We addressed the package and how we were going to work to put this money together, and they have been as helpful as they could be.

The fact that my son is in Boston, in one way, makes things easier because of the job market is pretty good there, but the cost of living is also high.

In New Hampshire, there is no job market. Our daughter has to rely on work study because opportunities are few.

And as far as I am concerned, I do work and I do pay. The control factor is, if an education has to be postponed, it will be mine because of the circumstances.

Senator DODD. Do you want to comment on that at all, David, about your financial aid officers? Did you find that this was planned out? Did you know what you were going to get yourself into?

How about you, Robert?

Mr. SCHNITMAN. No, I did not know what I was going to get myself into. I probably would have given second thoughts to attending college if I had seen all this.

But the financial aid people were very helpful to me in answering all my questions and providing all methods of financial aid I was available to receive.

I would just like to add one other thing. The field I am going into, the field of respiratory therapy, is not a field that someone goes into for money.

The money that I am going to receive when I graduate, the starting salary will be only $14,500 to $20,000 to start, and, when I get out of school, I am going to be owing $13,500.

So, the field I am going into is a field because I want to help people, not because I want to make money.

For the 4 years I am going, all of that is going to benefit someone else and just me in a small way.

Senator DODD. This is the problem.

Yes, David?

Mr. HILL. I would like to take something Bob said a little bit further.

In my own particular case, I am very interested in going on to law school and, some day, working in the public sector as opposed to what it seems many of my colleagues want to do in regards to this.

But looking into law school, which basically relies on taking out loans first and scholarships last, I do not think I am going to be receiving too much in scholarship from law schools as I apply.

This is definitely affecting what I choose to do in the next year; the decision has become whether to go straight into law school or take some time off and try to get a job in a much more lucrative field such as, say, finance, where I could make some money over the course of 1 or 2 years in order to help finance my law school education.

Taking time off is not something that I want to do. I would ideally like to be 25 years old, have my training behind me and get to the work of helping people who cannot really afford a top price legal service which is what I have wanted to do for 10 years now.

And I really think that, somehow, in some way, this is affecting-- must be affecting other students in my situation who are looking at being $30,000 to $35,000 in debt at the age of 25.

This is independent of parents at this point because this would be me taking out these loans and not my parents taking out these loans.

And this is precluding certain types of job opportunities down the line.

Both of my parents are teachers, are in education. I have wanted to go to law school, but there is always this suggestion of, "Why do you not consider teaching?"

Well, I have thrown out any of those considerations because teachers just do not make enough money in order to handle these debts that will be coming up. I would not be able to do it.

I mean, I do not know how many people we are talking about, but such things must be precluding the job opportunities of numerous people in my situation.

Senator DODD. Said very eloquently.

Yes, Dr. Loughlin?

Dr. LOUGHLIN. Senator, there is just another point I would like to make in terms of whether or not we knew what we were getting into at the time.

I think we were unaware, too, of the escalating costs in higher education. When we talked to people as our children were growing up and as they were in high school and would ask what it was costing to provide an education for their own children, the figures that we heard might have been, oh, in the vicinity of $5,000 or $6,000 for room, board and tuition.

Within the last several years, there has been such a large increase in these costs—we were thinking that those figures we heard about representing education costs were ones that would continue into the future.

But with the escalating costs of education, I was shocked to find out that this $5,000 or $6,000 bill 7 years later was $13,000 to $14,000.

Part of my myopia might have been the fact that I was relying on previous costs of friends and neighbors as to what it would cost to send our children to college.

The true nature of the costs now just really threw me, quite frankly.

Senator DODD. I do not know if you were here this morning, but I went through some of the statistics in terms of percentage increases over 7 years, and it is truly mind boggling.

We are not talking about depriving people in the needy category at all, but people in that middle-income category are just getting squeezed to death. And it really makes it impossible for them to assume these kinds of burdens.

The easy answer, I suppose, is just to say we will have to come up with more federal grants.

But I think a lot of you are aware as citizens that, today, 53 cents of every tax dollar to Washington goes to pay interest on the national debt. And that number, if it continues to go unchecked, could easily become 70 to 75 cents within a matter of just a few years. So, the deficit has markedly affected the ability of Congress to do things. It just creates tremendous problems, and we simply have to be more creative in trying to finance or establish greater pools of these resources so that people can have choice and access to quality education based on ability, not whether one happens to fall into some need category.

I do want to say that I appreciate the testimony of all four of you. It has been very helpful. And I think you, clearly, are not the exceptions but rather you represent a very broad spectrum of people.

And, Mrs. Carew, I have the highest admiration for you and your family, but you are not the exception. And I think you probably know that, as well. The fact that you and your family has sacrificed so much to get an education is remarkable, but the fact is that there are very few people I know of who do not also place education as one of their highest priorities.

People do understand the importance of education. There are no jobs left for unskilled labor in this country; they just are not there.

And we have got to do whatever we can to make a higher education available to people.

So, I thank you all very much. Your testimony is greatly appreciated.

Now we will move to the next panel.

Our next speaker is Dr. Richard King, New England Board of Higher Education.

Sir, we thank you for being with us. If you have a prepared statement, we will be more than delighted to accept it. If you would like to summarize it, we would appreciate that.

STATEMENT OF DR. RICHARD KING, RESEARCH FELLOW, NEW ENGLAND BOARD OF HIGHER EDUCATION

Dr. King. Thank you. Perhaps as a preamble, I should explain what the New England Board of Higher Education is. The New England Board of Higher Education is a regional compact taken at the initiative of the six Governors of the New England States and six New England State university presidents in the midfifties.

The purpose of the organization was to create a forum for discussion of matters of common concern to industry, education and government.

We were also organized in order actually to conduct certain cooperative programs, one of which, the largest and oldest program and most successful program, is the Regional Student Program.

The idea behind the Regional Student Program was and is to permit a student in a State which does not have a given program to go across the border to one of the other New England States and enroll in the other State's program at instate tuition rates. That was the original design.

That design has been eroded somewhat in that, 6 years ago, during the period of high inflation, several States requested and were granted permission to increase that rate to instate plus 25 percent.

I think it is to the credit of Connecticut and Massachusetts that they were the last to succumb to this temptation.

But we now have, once again, within the New England Board, a series of proposals to increase that special aid from instate plus 25 percent to instate plus 40 percent. Now that, in itself, is serious for the students who are involved.

We have already some 5,000 students who have been saving an average of $2,000 a year—which is a savings regionwide of some $10 million—but even more important than that direct savings to students is the savings in capital costs to the states who are not having to build competing facilities.

So, we have been concerned about pressure to try to increase fees. This prompted us to do a study, which was cited earlier this morning, of tuition increases in the six States of higher institutions for the 7-year period of 1978 to 1985.

And, as you indicated earlier, the results show that the median increases were in excess of 100 percent during that relatively short period, at a time when the inflation rate was only increasing some 66 percent.

Of greater concern is the rate of increase in the most recent years from May of 1982 to May 1985; inflation rose only 12 percent total, but the tuition and fees in the colleges across New England rose on an average of close to 30 percent, or 2½ times inflation.

It is that recent rise that most concerns us. Now, to the college administrator, tuition and fees are a much needed source of income; to students and parents, they are a mounting obstacle to college attendance.

Students have always paid less—usually much less—that the full cost of education. The evidence for the past 7 years indicates that tuition and fees in New England colleges have been rising much more rapidly than inflation. In other words, students are being asked to pay an increasing share of total cost.

The question is, "Should they?" and the related administrative question is "Must they?" or can costs somehow be contained.

One question that comes up, of course, is where has all the money gone that has been taken in, in excess of inflation.

Some, as a matter of policy, has gone to financial aid to compensate, in part, for the tuition increases. We have done a very small, informal sampling of private colleges that suggest that, depending upon the rate of inflation in any given year, the restricted money for scholarship funds, anywhere from 5 to 20 percent of the increase may have gone into financial aid. That is a very small amount.

It is not that tuition is being raised and half of it is applied back to scholarship costs, but it looks more like a figure of 10 percent.

Has the excess then gone into faculty salaries over this period? A recent article in the Chronicle of Higher Education in April of this year suggests not.

During the period of 1978 to 1982, during high inflation, gains in faculty salaries fell an average of 2.7 percent per year behind the Consumer Price Index.

During recent years, 1982–83 to 1984, faculty salaries gained an average of 1.8 percent but, overall, during this 7-year period, faculty salaries lagged the Consumer Price Index by an average of almost 1 percent a year.

Apparently, faculty salaries have not used up the income from tuition and fees in excess of the Consumer Price Index.

Data from the Council on Financial Aid for Education and college alumni offices suggest that corporate and individual contributions to higher education continue to increase at a level in excess of inflation. Even Federal Government support for research and development has continued to increase, albeit at a reduced rate.

Foundation support has been a little less predictable. New England State legislatures, particularly those of Massachusetts and Connecticut, however, have increased support it rates substantially above inflation.

During the 2-year period from 1982–83 to 1984–85, when total inflation was 7.7 percent, appropriations in New England States increased from 11 percent in Maine, which was the lowest increase, to 36 percent in Massachusetts which was the highest; I think Connecticut is about 20 percent.

As the college presidents this morning suggested, expenses are much more complicated, really, than meeting faculty salaries.

And I think Commissioner Glasgow put her finger on one important area; the problem of physical plant and equipment which may be a special problem for the relatively older with institutions in New England.

We are also more involved proportionately with the high-technology evolution in this area of the country. There are new kinds of expenses that have not existed before, and I suggest that those are perhaps sopping up some of the excess above that of inflation.

The question then remains: Should these increases be paid for by the students or through some other way?

Certainly, we would thoroughly endorse all that has been said here this morning in regard to Federal scholarships, particularly in forms of direct aid.

I think all of us share the concerns that have been expressed earlier in the day about the awarding of excessive loans, particularly to lower and middle-class students.

Senator DODD. Well, thank you very much for that testimony.

Let me, if I can, get down to some of the statistics I have here. Connecticut schools, both public and private, really stick out.

There was that study—do you know which one I am talking about—where New England tuitions were found to be among the highest nationwide? It is the New England Board of Higher Education study.

You have identified some of the problems. Why do we stick out so consistently?

Dr. KING. Well, New England, of course, has the highest proportion of private education in the Nation. Massachusetts is the only State that enrolls more than 50 percent of the students in private higher education.

And for obvious reasons, tuitions at independent colleges are, of necessity, higher than those at public institutions.

But you are quite right. New England is, even among the public institutions—has some of the highest tuition rates in the Nation.

I think Vermont happens to be the highest, but the other New England States are not far behind.

I think there may be historical reasons for that. An institution like the University of Vermont has had a history of being a quasi-private institution at one time.

But I think part of the reason is that the public State university movement in New England, has lagged that of some other regions in the country.

I do think the New England States have done exceedingly well in recent years in providing increased State scholarships which, of course, in most States, serves both public and private colleges.

Senator DODD. You know, one of the reasons for holding congressional hearings on any subject matter is to try and get witnesses who have some arm's length association with the subject matter.

One of the things I have noticed is that, invariably, the people who do the studies and analyze these questions are the very ones that are living with the problem every day.

What can we be doing to study this problem at the federal level? I am not suggesting they are cooking numbers or anything, but I am trying to find out what causes 113 percent or 120 percent increased in the costs of public education in New England in 7 years.

Something is going on out there. And no one likes to assume responsibility. I am not suggesting that these schools are being totally mismanaged or anything else, but we hear about the projected figures that Dr. Loughlin was just here talking about; the cost of education in the year 2001 is projected to be $100,000 a year.

That figure does not seem too crazy because of the way in which costs have gone up in the last few years.

Who do we go to to ask these questions, the people doing the studies?

Dr. KING. Well, I do think there is difficulty in obtaining comparable costs—not costs to individuals, but comparable data across institutions and across States on expenditures for higher education.

I think I would share President Campbell's concern about arriving at some sort of formula that you should not be spending more than *x* percent on research or building maintenance or whatever.

But the truth, I think, is that we do not have—we have very good comparable data on enrollments, on financial aid from other sources and on State appropriations, but we do not have as detailed comparable data on institutional expenditures.

So, I have no way—we are not, ourselves, a primary data bank. We rely on data that other people have collected.

Senator DODD. Is this something NIE may be able to do?

Dr. KING. The National Center for Education Statistics does collect some cost data, but it is in gross categories, and it is inadequate for the analysis, that you are really asking for.

Senator DODD. Since 1983, there has been a 10-percent drop in student enrollment, even with more older people coming back into the educational system.

What does that mean? What can we extrapolate from that figure in terms of its impact?

Dr. KING. Well, originally, there was a drop in high school graduates from 1983 to the present, of course, which has occurred for the reasons you suggest; but an increasing number of women, particularly those enrolled only part-time in higher education, older people enrolled in higher education et cetera, have held enrollment quite constant.

But the steepest level of demographic decline is going to occur in the years from 1988 to 1991 and 1992. And, at that point, there probably will be an actual decline. And, certainly, NCES is projecting a decline during that period of time.

My guess is that the pressure will be felt first in the 2-year colleges, particularly the private 2-year colleges, and perhaps on the 2-year public colleges.

There is going to be increased competition for students and there will be a loss of tuition and fees as a result of smaller numbers of students.

And this will produce even more pressure.

Senator DODD. Can you pick out a college or university in New England that you think breaks all the norms in terms of percentages of increases, an example of a place that has been able to keep its costs down tremendously well and not sacrifice quality of programs?

Dr. KING. Well, interestingly, within New England in the public sector, Connecticut has done well in both its community colleges and in its State colleges or regional State universities as distinct from the main campus and even tuition at the main campus has accelerated less than elsewhere in New England.

I think what happened with the University of Connecticut, for example, there was only a 26.5-percent increase from 1978 through 1982, at a time when inflation was almost double that figure.

So, if you look at the overall period, I would say, of the New England States, Connecticut has held the costs better than the rest.

Senator DODD. The Governor may want to hear that.

Dr. KING. You may not believe this, but it is very tough over the State line, too.

Senator DODD. Let me ask you the question that every parent who is paying a tuition bill is asking.

Colleges are essentially setting tuitions based on what the market will bear today. They all will give you their argument: We held the line during the 1970's, during the high inflation period. We did not raise tuitions to reflect the inflation rate in those days. As a result of that, we are trying to make up for it now.

Yet, I know there are people out there who are saying at this very moment, "All they are doing is taking a look at what the D's and B's look like on their students. They are figuring how much money they can squeeze out, and this is what they are going to charge."

What are your comments on that attitude?

Dr. KING. I cannot answer that simply. I think it is fair to say that tuitions have increased, again, during both periods, both the period of high inflation and the period of low inflation, more rapidly than inflation.

In other words, tuition has not been held below inflation. That seems to be a fact.

It also seems to be a fact that faculty salaries have been held below inflation on the expenditure side.

Something else is generating greater expenditure. I think part of it is in the area of management. Colleges have had to increase development offices to raise money. They have increased staff and offices of research contracts, for example.

But I would suspect, if all the data were looked at comparatively, it would be in the area of plant and equipment that there have been the sharpest increases.

And that is a dilemma: Who should pay for that? Should it be the students or should it be the State legislatures? The State legislatures have been supporting the universities at a rate higher than inflation.

Is there anything the Federal Government can do in the way of incentives short of direct aid?

Senator DODD. Well, very good. You have been very patient to have waited so long this morning. We really appreciate that you came earlier to listen to the other testimony.

Dr. KING. It was very interesting testimony, especially that of the last panel.

Senator DODD. Thank you again, Dr. King.

I promised our faculty, but I also promised our student loan officers and those that are here from that arena that they would be on next.

So, I am going to ask the faculty to wait a few minutes and give these other people an opportunity to testify who came this morning.

Our next panel is Mr. Vincent Maiocco and Patricia Pearson.

We are grateful to you two for being here. When I asked those questions of the students and parents, you could feel the hairs on the backs of your necks, I suppose, rising a little bit.

Of course, I am not suggesting in any way that loan officers in colleges are not doing a thorough job, but I did want to get their reactions.

It is a bit provocative, and you recognize, I am sure, that people are wondering whether or not they are getting the straight scoop from financial aid officers.

So, we are grateful for your being here. I know you have been here for a great deal of the testimony, possibly all of it. We will be more than happy to accept your statements for the record, and would ask, for the sake of time, that you try and abbreviate to the greatest extent possible.

STATEMENT OF VINCENT MAIOCCO, PRESIDENT, CONNECTICUT STUDENT LOAN FOUNDATION

Mr. MAIOCCO. Two things before I really start. I truly enjoyed listening to the 3 hours of testimony before me. I have to think that you have saved the best for last this morning.

Second, the three hours is not quite as important to me as I am sure it is to Patricia here. I am not quite certain whether she would have that time to wait, but I can see that she is feeling good.

Senator Dodd and members of your staff, my name is Vin Maiocco. I appear before you today as president of the Connecticut Student Loan Foundation.

The foundation, as you know, is the organization created by the Connecticut Legislature in 1965 to administer the Guaranteed Student Loan Program. I very much appreciate this opportunity to discuss with you the reauthorization of the GSL Program.

The views I express here this morning are also shared by the National Council of Higher Education Loan Programs of which I am currently a member of the board of directors and a past president.

There are some 26 important concerns which need to be addressed in the reauthorization of the Higher Education Act of 1965 and its amendments. A listing of those positions is attached to this testimony for you and your staff to review at your convenience. My purpose, therefore, this morning is to summarize those positions and highlight three major themes as they relate to reauthorization.

The first is to reaffirm the fundamental soundness and effectiveness of the GSL Program. The second is to encourage program simplification and stability. The third is to provide a realistic distribution of costs of the program.

We believe the key to program effectiveness is the Federal-State partnership under which it operates. In this partnership, Congress provides funds and policy direction, while State agencies take care of day-to-day administrative details.

In the last 10 years, this decentralized model has proven amazingly successful. Measures of its success may be found in broader, more active participation by commercial lenders and greater student access to loans in every State.

I personally think that a significant indicator of the program's success is the nature of criticism lodged against it over the past few years. Notice, that today's concern is the expense of the program and its volume-driven to Federal subsidies, not whether or not loans are available to needy students. This is because, in the 1970's, Congress directed guarantors to provide loan access. Guarantors accepted the challenge, and it obviously fulfilled that charge. In Congress and in the States should all be proud of the job that has been done.

Since its beginning in 1965, the GSL Program has provided over $50 billion nationally to needy students. It has become the largest source of financing for education in America today. In Connecticut alone, over 400,000 students have been assisted with loans totaling more than $1½ billion. I believe these impressive figures more than demonstrate the success and need for such a program.

While facilitating access to more loan dollars, Congress and guarantors have also worked hard to control defaults. In the last 5 years, the program's net default rate has dropped from 5.9 percent to 4.4 percent. I believe that this success is due, in large part, to prudent congressional direction on due diligence and collection standards. Moreover, in Connecticut, our budget and staff are devoted to the prevention and reclamation of defaulted loans, so we consider our 3.67 percent State default rate to be proof that the relentless efforts of State-based guarantors do effectively cut program losses and maintain program integrity.

Given the GSL Program's fundamental soundness and effectiveness, a second goal, therefore, of this year's reauthorization should be the preservation of program stability. In the main, we suggest that Congress leave the GSL Program essentially as is. Major potentially disruptive changes should be avoided if at all possible. We think, for example, that it is especially important to maintain Federal subsidies that are sufficient to ensure the continuation of today's high levels of involvement by commercial lenders.

Still, there are some important initiatives we urge Congress to pursue; one of these is a substantial increase in Federal grant funds.

Such an increase will help to reestablish a proper balance between grant and loan resources for needy students. In doing so, it will help preserve access to postsecondary education while preventing the emergence of an indentured generation whose career choices, marriage, and family decisions and consumer purchase plans may be colored by unmanageable educational debts. It will also help prevent default by making high-risk aid recipients less dependent upon loans.

Since 1965, the proliferation and increasing complexity of student aid programs has yielded a baffling maze that many participants find difficult if not impossible to navigate. This inhibits access to educational opportunities and creates meaningless administrative barriers to needy students. We recommend that Congress miss no opportunity to simplify the GSL Program and other title IV student aid programs. Two such recommendations which I endorse are the combining of the NDSL Program into the GSL Program and eliminating the 15-year rule.

Furthermore, I hope that Congress will continue to authorize revenues that help State agencies to ensure the stability of the GSL Program. Over the past several years, the administrative costs and other forms of Federal support for guarantors have, in part, financed guarantee functions, training and technical assistance operations, preclaims assistance activities of the guarantors. We believe these services have been critical in maintaining the GSL Program as an easily administered, attractive and comprehensible option for commercial lenders. In addition, we strongly advocate a lender of last resort in each State, as well as the use of tax-exempt bonds for student loans to insure the availability of loan capital during times when commercial lenders may be reducing their support. The lender of last resort should be in all cases a guarantee agency in each respective State.

The foundation also recognizes the need to examine the GSL Program so as to distribute its costs in a reasonable manner. We suggest that this issue be approached with the goal of establishing cost equity among participants without threatening future participation on the part of lenders, students, or State guaranty agencies. This reaffirms that the major burden of program costs continue to be borne by the Federal Government and recognizes that interest rates—GSL Program's major cost contributing factor—are primarily a function of our overall economic and monetary policies. It also recognizes the political reality that Chairman Ford and others have pointed out for years; that the American people are willing to help pay for postsecondary education and the efforts of our young people to secure it.

We agree that the guarantors should be asked to accept an increasing share of program expenses. However, we ask that they be given a reasonable period of time to do so and, in a responsible manner, reflective of their financial condition. Forty-two percent of the States are served by guarantors that are less than 10 years old. Many of these have not had time to both establish reserves and recover huge startup costs. A rapid and significant redistribution in GSL Program costs would, at this time, threaten some of these newer agencies 'continued existence in the program.

Finally, we believe that if borrowers must shoulder cost burdens for their loans, they should be required to do so only after they leave school. Inschool charges such as origination fees deny students resources when they are most needed. After graduation, however, most borrowers are likely to have the financial means that allow them to handle reasonable education loan debts.

In summary, the foundation feels that the GSL Program today is a very effective, Student Financial Aid Program, and it should continue to be a cornerstone in the Nation's efforts to remove financial barriers to postsecondary education.

Again, I thank you, Senator Dodd and members of your staff for the opportunity appar before you today. I will be happy to respond to any questions you may have.

Senator DODD. Thank you very much, Mr. Maiocco. We appreciate it.

[Information supplied for the record follows:]

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POSITION PAPER ON THE REAUTHORIZATION OF THE GUARANTEED STUDENT LOAN PROGRAM AND OTHER TITLE IV PROGRAMS

Presented to the NCHELP Board of Directors - February 2, 1984

By the NCHELP Reauthorization Committee
Peter Keitel and Joe L. McCormick, Co-Chairmen

INTRODUCTION

This NCHELP position paper proposes to make 20 specific recommendations around three major themes:

1. Reaffirmation of the fundamental soundness and effectiveness of the GSL Program.
2. Simplification and stabilization of the GSL Program.
3. Realistic distribution of cost for the GSL Program.

In reaffirming the soundness and effectiveness of the GSL Program it is important to emphasize that the GSL Program is the major source of financing postsecondary education today. It should also be pointed out that Congress has made thoughtful decisions in order to make the GSL Program operate as a viable credit mechanism, depending primarily on private loan capital, and to promote effective decentralized, state-based program administration. Our position on reauthorization reaffirms the need for stability and Congressional commitment to protect lender incentives to participate and to maintain a high level of access to all eligible students in every state.

THE FUNDAMENTAL SOUNDNESS AND EFFECTIVENESS OF THE GSL PROGRAM

Since its beginning in 1965, the GSL Program has provided over $30 billion dollars in loans to students pursuing postsecondary education. During this same period, the Program has evolved into a decentralized, state-based mode of administration which has contributed much to the overall success of the Program. This success can be measured in terms of broader, more active lender participation, greater access to student loans, more viable secondary market activity, and lower default rates in state guarantee agency operations than occurred under the centrally-administered FISL Program.

In the coming months Congress will consider the reauthorization of all federal student assistance programs. Serious questions will be raised concerning the future role of the federal government to meet the nation's needs for trained manpower, to provide economic stability, to control inflation, to encourage excellence in our educational system, and to meet the everchanging demands of a rapidly developing technological society.

Congress will re-examine its long-standing commitment to provide equal educational opportunities to the American people and hopefully move forward to renew that commitment and expand its support for all Title IV student assistance programs.

In the belief that the GSL Program is a cornerstone in the nation's effort to remove financial barriers to postsecondary education and that, overall, the GSL Program is fundamentally a sound and effective means of removing financial barriers, three major recommendations are offered:

1. Recognizing a need for a proper balance between grant funds and loan funds for needy students, substantial increases should be made to the federal grant programs to insure that needy students are not overly reliant on loans to meet their educational costs, particularly in the lower division undergraduate student population. GSL default experience will definitely be affected by the funding balances achieved for grants and loans to needy students in the years ahead.
2. The GSL Program should be maintained and enhanced to:
   (a) assure the proper funding balance between available loan and grant funds to needy students as described in Recommendation #1.

(b) protect the true entitlement concept of the Program,

(c) encourage private lender participation in the Program by maintaining the current special allowance rates,

(d) insure the continued state or private, nonprofit responsibility for administration of the Program, and

(e) maintain a stable environment in which to provide an adequate supply of loan capital.

3. Provide total access to student loan capital to meet determined eligible educational costs to all eligible borrowers in every state by:

(a) requiring a state-approved mechanism to provide a public or private lender-of-last-resort program to be made available in that state to assure access to subsidized loans.

(b) increasing the annual and aggregate loan limits according to the following schedule: as of the effective date of the legislation, the annual limits for undergraduate students shall be $4,000 and $8,000 for graduate students; the aggregate limits shall be $20,000 for undergraduates and $40,000 for graduate students. Congress should periodically review these limits.

THE NEED FOR GSL PROGRAM SIMPLIFICATION AND STABILITY

Since 1958 the number of federal student aid programs has multiplied and evolved into a very complex, difficult to administer, highly over-regulated matrix we call the "student aid delivery system". At almost every legislative opportunity, attempts to simplify these programs have been debated, discussed, and ultimately discarded with few positive results. This continued proliferation, as well as the complexity of student aid programs, has made total access for students and the removal of financial barriers more difficult with the passage of time and regulations. If Congress and the higher education communities are serious about moving forward to fulfill our national commitment to provide equal educational opportunity for all eligible students, then meaningful steps must be taken now to simplify student aid programs. No less important is the need to reauthorize the programs within a framework that provides consistency and stability, assuring eligible students and their families that student aid funds will be available in the years ahead. In this context the following recommendations are made:

4. Incorporate all federal Title IV student loan programs into the GSL Program (NDSL and FISL). Since FISL is being terminated administratively by the Dept. of Education, it should be eliminated legislatively. For institutions participating in the NDSL Program, allow them to continue an institutional loan program (at the option of the institution), or, as eligible lenders under the GSL Program, utilize NDSL funds in their need-based grant and/or a work-study program. This would provide

additional assurances to the institutions of the continued availability of loan capital for students served by these programs and also provide a guarantee of the fund corpus which they do not now enjoy. The guarantee provided these loan funds would apply only to new borrowers after the effective date of this legislation.

5. Restructure the legislation authorizing the PLUS/ALAS Programs to clarify the goals of what really are two separate programs and simplify the administration of these programs in order to increase the supply of loans available to meet the needs of both parents and students as follows:
   (a) The current section authorizing the Auxiliary Loans to Assist Students Program (Section 428-B) of the Higher Education Act should be replaced with two sections: one authorizing a supplemental, nonsubsidized loan program for students and a second authorizing Loans for Parents. This new Supplemental Student Loan Program would have the following features:
      (1) The maximum interest rate would be 12%.
      (2) Students, at the option of the lender, would be given a choice of paying the interest while they are in school or having the interest capitalized at the close of each calendar quarter.

(3) Dependent undergraduate students, as well as graduate students and independent undergraduate students would be eligible for these loans.

(4) The annual loan limit would be $4,000 and the aggregate loan limit would be $20,000. These limits would be in addition to any amounts borrowed through the GSL Program, not to exceed the total cost of education minus other financial aid, not including parent contributions.

(5) The loans would have the same repayment terms and grace periods as regular GSL loans. Special allowances would be paid. These loans should have the same consolidation provisions as regular GSL loans. In summary, the nonsubsidized supplemental loans should have exactly the same terms and conditions as the regular guaranteed student loans with two exceptions: the interest rate of 12% and the absence of the federal interest subsidy.

(6) Notwithstanding the annual loan limits of this new Supplemental Nonsubsidized Loan Program, any students who have received loans in the past under Section 428-B should be able to refinance those loans under the new program.

(b) The new Loans for Parents Program would have the following features:

(1) The maximum interest rate would be 12% and special allowances would be paid.

(2) Parents would be able to borrow $4,000 per year for a student limited to the total cost of education minus other financial aid, not including parent contribution. The student could be a graduate or undergraduate student. The aggregate borrowing limit would be $20,000 per student. These amounts would be in addition to any amounts borrowed by students.

(3) Other than the unemployment deferment, parent borrowers would not be eligible for any of the deferments available to student loan borrowers.

(4) When a parent borrows for a dependent child, the parent should be able to refinance any previous loans taken for that child and consolidate those loans with the new loan. This would include any loans previously taken out under the PLUS Program as previously authorized under Section 428-B. This consolidation opportunity should include old loans, including 14% loans, which would be refinanced at the 12% rate.

(5) The maximum repayment period on parent loans would be ten years fromthe time a loan is taken out or refinanced.

(6) All other terms and conditions of the new parent loan program would be the same as the program currently in law.

6. Determine the eligibility of a student to receive a subsidized GSL by the method described below:

For students with an AGI (adjusted gross income) of over $30,000, the maximum loan amount would be equal to total cost of education less financial aid received less a "credit eligibility index" (CEI). The CEI would be established by law, either by means of a formula or benchmarks for a table. The CEI would be used in the same manner as the current GSL Contribution Tables. Separate indices would be established for dependent students from one and two-parent families, independent students who are married, single, or single heads-of-household. The CEI would be based on family size and the AGI in the tax year prior to the academic year in which the loan is made; however, campus aid administrators could exercise professional judgement in amending the CEI in those cases where there has been exceptional changes in family circumstances.

Students with AGIs under $30,000 would not receive loans in excess of $2500 for undergraduates and $5000 for graduate students unless their eligibility is determined using the CEI. Any student eligible for less than $500 but more than $1 would receive $500. The amount of the loan in combination with other aid could not exceed the total cost of education.

7. Changes specific to the administration of the GSL Program which would simplify and/or stabilize it include:
   (a) eliminating the maximum repayment rule of 15 years.
   (b) allowing half-time students an in-school deferment.
   (c) Standards for foreign school participation in the GSL Program should be established in statute.
   (d) The initial grace period after the student's in-school period should be returned to a 9 month period. Borrowers with one or more loans eligible for a 6 month post-deferment grace period should receive the post-deferment grace on all their loans.
   (e) Agencies should be permitted to retain a flat 30% of collections on accounts in default.

(f) The statute should provide that subrogation would not apply to an agency that, in any fiscal year, collects an amount equal to or greater than 4% of the total balance of loans in default at the close of the previous fiscal year.

8. Empower state-level secondary markets and/or direct lenders to generate student loan capital by use of public purpose, tax-exempt bonds in order to maintain an adequate and stable supply of loan capital.

REALISTIC DISTRIBUTION OF COST OF THE GSL PROGRAM

In recent years with the dramatic increases in GSL volume nationwide and the unpredictably high interest rates at certain periods, there has been growing concern over the questions of controlling the costs of the GSL Program and who should share in those costs. Recognizing the need to structure the GSL Program in such a way as to distribute the costs in a reasonable manner to all parties involved (lenders, students, state guarantee agencies, and the federal government), one must approach the distribution of costs in a realistic manner which maintains as much equity as possible without threatening the viable role of any one of the parties. It should be recognized first and foremost that the major burden of cost must be borne by the federal government for the Program to work effectively in all states and to maintain total loan access to all eligible borrowers. No less important, it should also be recognized that the major cost-contributing factor, interest rates, must be controlled by the nation's overall economic and monetary policies and not by manipulation of the fundamental aspects of the GSL Program.

In meeting the challenge of providing a viable credit mechanism to remove financial barriers to postsecondary education in the years ahead, great care must be taken in the reasonable distribution of the cost of the GSL Program not to inhibit the Program's ability to:

(a) provide total loan access to all eligible students,

(b) maintain adequate and continued private lender participation,

(c) promote a stable environment for maintaining an adequate supply of loan capital year after year, and

(d) control student defaults at reasonable levels.

With these guiding principles in mind, the following recommendations are offered:

9. Eliminate the 5% loan origination fee.

10. Allow students with larger than average indebtedness to extend their repayment period beyond ten years, but be required to pay interest rates that periodically increase at such rates that the student and not the federal government would bear the cost of extended repayment periods. The repayment period could be extended to 15 or even 20 years, depending upon the size of the debt. The guarantee would cover the entire life of the loan. An example of how this might work would be:

    At the start of repayment or within three years, the borrower may select a repayment period of up to 20 years for retirement of the principal amount of the indebtedness plus interest. The interest during the first three years shall be at the average interest rate of the original loan(s), and the interest rate shall increase by one-half of one percent annually. The special allowance payment to the lender shall be reduced by a like amount until the borrower pays an interest charge which is equal to or exceeds the interest and special allowance costs which would have been paid to the lender if the extended repayment plan had not been selected. At this point the interest charges for the subsequent twelve-month period will be equal to the interest and special allowance the lender would have received in the quarter previous to this point if the extended repayment plan had not been selected. Annually thereafter the interest rate will be adjusted to reflect a rate equal to the interest and special allowance the lender would have received the previous twelve months if the extended repayment plan had not been selected.

    Another alternative would be to charge a higher, but flat, rate of interest to borrowers who choose repayment periods that are longer than ten years.

11. Increase the minimum monthly payment to $75 for all new borrowers. It is unrealistic to recommend higher loan limits and longer repayment terms without corresponding increases to the actual minimum monthly repayment amounts.

12. Encourage and permit states to return all federal advances to the federal government within a reasonable time frame based on an independent determination of the overall financial condition of the agency's loan guarantee program. As state guarantee agencies become more firmly

established financially, it is appropriate that some of the cost of the GSL Program be shared by them.

13. Limit the total fee charged to students (insurance premiums) to 3% of the loan amount. Guarantee agencies shall be authorized to charge a flat fee to all students.
14. Allow for loan consolidation by all eligible lenders and holders of loans in the GSL Program. In addition, guarantee agencies should have the ability to guarantee loans consolidated by eligible lenders within the state.
15. Federal income tax refunds due to defaulted borrowers, at the request of the guarantor, should be applied to their defaulted loan indebtedness. Similar requirements have been successfully implemented at the state level in some states. It is not unreasonable for the federal government to use such leverage, given the ample opportunity a student has to repay the loan before such action would be taken.
16. At the request of the guarantor, garnishment of wages would be allowed in any state.
17. In order to maintain a reasonable sharing of the cost of reinsurance between the federal government and state guarantee agencies, retain the current methodology for reinsurance.
18. For the administrative cost allowance (ACA), retain the existing ACA of up to 1 percent of loans guaranteed annually.

19. A statute of limitations of at least six years on defaulted student loans should be established in federal law. States with longer statutes would not be affected.

20. Guarantee agencies should be authorized to raise the interest rate on all defaulted student loans by 3 percent over the rate in effect at the time of default on all new loans.

Senator **Dodd**. Mrs. Pearson, again, I apologize; it has been a long morning for you.

We appreciate your being so patient. We are delighted to receive your testimony.

STATEMENT OF PATRICIA PEARSON, VICE-PRESIDENT, CONNECTICUT ASSOCIATION OF PROFESSIONAL FINANCIAL AID ADMINISTRATORS

Mrs. **Pearson**. Well, it certainly has been a worthwhile wait and an education for me, as well.

On behalf of the Connecticut Association of Professional Financial Aid Administrators, I would like to thank you for inviting us here today and allowing us to present a position on issues related to the Reauthorization of the Higher Education Act.

In addition to wearing my hat as vice-president of the State association, I should tell you also that I am director of financial aid at Quinnipiac College which you recently heard about from the other side of the table and very well, I thought; members of our student body.

My testimony will focus upon issues related to the following: guaranteed student loans and increasing student debt burden.

The second area I will discuss is the Pell Grant Program and the proposition of a greater verification system for all title IV programs and the changes that are being proposed in the state allocation formula for title IV.

Regarding the Guaranteed Student Loan Program, we support the Secretary's proposal concerning the revised eligibility criteria regarding the extension of need analysis to families with incomes of less than $30,000 per year, requiring students and their families to demonstrate need for a loan which will assure that funds are available to students in true need and, at the same time, help to eliminate unnecessary student borrowing.

We also endorse the requirement that loan checks be made copayable to the student and to the institution and that the checks be mailed directly to the institution.

These measures will ensure that loan proceeds are used for their intended purpose; to meet education expenses with the understanding that any amount in excess of direct costs like tuition fees, room and board, would be refunded to the student to be used for books, supplies and other expenses related to their education.

In addition, we are in favor of the proposed regulations which would require multiple disbursement of GSL funds. We believe that multiple disbursement would improve fund control and would limit the number of defaulted loans.

It has been demonstrated that students who do not persist in the program are far more likely to default in their loans than those who do.

Senator **Dodd**. What was that again?

Mrs. **Pearson**. Students who do not persist in the program—that is, withdraw within the first semester—are far more likely to default in their loans than those who do.

Members of both public-supported and private institutions are becoming increasingly concerned about rising student indebtedness and the long-range impact it may have upon our students.

A recent report published by the Carnegie Foundation, quotes from which you heard earlier this morning in testimony by the presidents, states that a student who leaves college with a large debt burden may well feel he already has assumed all the risk that he probably should.

The report goes on to say that this burden has resulted in graduates placing greater emphasis on materialism and less on civic involvement.

We strongly recommend that members of the Congress give serious consideration to balancing the ratio of loans versus grants and work programs by ensuring that its grant and work programs are authorized and that a proportional amount of funds is made available as a part of the allocation process.

We would also encourage you to support the proposals which allow students to consolidate their loans when they begin their payments thereby reducing the likelihood of default.

We believe that programs such as the Options Program, administered by the Student Loan Marketing Association, provide borrowers with the means to repay their loans in realistic monthly payments, yet in a timely manner without creating a system which is administratively burdensome and complex.

As partners with faculty and other administrators in the education process, we, too, are concerned that the increased debt burden will limit educational choices which our students will make.

We are further concerned with the longer term effects on students' abilities to exercise their second responsibilities and to assume positions of leadership in the future, which David alluded to, the student from Wesleyan.

We believe that a student should have the opportunity to pursue the career and profession of their choice based upon their interests and talents and not the assurance of a well-paying job which they feel is necessary in order to get their education indebtedness repaid.

There are two areas relative to programs which we would like to address. Our first concern is the delivery system which is the means by which funds are transmitted to students and their respective institutions, and the second concerns proposed requirements for validation of information contained on the application.

The current delivery system is complex, filled with unnecessary paperwork, time delays and excessive administrative costs. The processing cycle is circuitous at best.

The major cause for these delays in the processing cycle is the central federal processing system.

Though many of us in the financial aid profession have tried to work in conjunction with the Department of Education to develop a more workable system, the processing cycle continues to emphasize the information needs of the department at the expense of providing timely information and services to students and institutions.

Therefore, we recommend the central processing program be eliminated and be replaced by systems provided by the private sector; that is, the college board, College Scholarship Service, and

College Testing Program which are the needs analysis services which many institutions use.

In addition to improving service to students, elimination of the central processor would result in significant savings to the department of education and redirect those dollars where they are really needed; to funding programs, to meet students' education costs.

An additional area of concern is the process of validating or verifying information reported on a student's application, and members of the financial aid community would like to support the concept of validation and the need to ensure the accuracy of financial data used in determining a student's eligibility for assistance.

Despite our support of this concept, however, the department has developed validation procedures which are becoming an increasing burden to the students, their families and aid administrators.

For many students, the financial aid application process is enough of a challenge without having to duplicate information which they have already submitted on their original application.

What is needed is a system to determine eligibility based on the collection of information which is readily verifiable from one or two additional documents; tax returns and the application that the student completes.

Changes which result in the validation process as proposed we believe could have a severe impact on students' ability to meet educational costs on very short notice.

On July 26, 1985, the department published a Notice of Proposed Rulemaking to amend the Student Assistance General Provisions to implement an integrated verification system for all the title IV programs.

Although this has not been a Federal requirement, most of the institutions in the State of Connecticut and many other institutions voluntarily collect income tax returns and information related to nontaxable income to verify the accuracy of the aid application.

As a result, we have developed and have in place the means to do this and have done so in a simple, straightforward manner so as not to create confusion and frustration on the part of the students and their families.

However, the proposed regulations do not reflect the same approach. Instead, they create a system which is cumbersome and requires unnecessary duplication of effort on the part of the applicant.

We believe that the department of education is headed on a collision course with the American taxpayer as a result of their approach which says that, in fact, the applicant is assumed to be guilty of providing false information until proven otherwise.

It is not the intent of the majority of their students and their families to defraud the Government of financial aid funds.

Our experience has been that mistakes on the applications are a result of timing; for example, the completion of a financial aid application before they are done with their income tax return or as a result of a misunderstanding or misinterpretation of what information is being requested.

The latter is especially true for first-time applicants who are the first in their family to apply to a post-secondary school.

One of the gravest consequences of this proposal is that students would become so frustrated and turned off by the requirements mandated by the Federal Government that they will not persist in the financial aid application process and, as a result, it will influence their choice because these are the people who clearly need assistance to attend the institution of their choice.

Therefore, it is our contention that the proposed regulations regarding verification of applicant data will affect both access to post-secondary education and choice of educational institution and program of study.

The final area upon which I shall comment concerns proposed major changes in the State allocation formula for awarding campus-based funds and, specifically, as it relates to Supplemental Educational Opportunity Program.

This change would repeal the State allocation formula which currently provides institutions in our State with their fair share of available funds.

It has been determined that the revised formula would result in a 23-percent reduction in total SBOG funds allocated to the State of Connecticut and this at a time when we can least afford it.

Therefore, we vehemently oppose the repeal of the State allocation formula which would reduce the amount of grant funds available to our neediest students.

In closing, let me state that we recognize the importance of the partnership which must exist between the student, the educational institution and the Federal Government in financing educational costs.

And those of us in the private sector have demonstrated our commitment to the need for greater funding by allocating an increasingly large percentage of institutional resources to meet the needs of the students concerned.

However, we cannot do it alone. And in order to ensure continued access to post-secondary educational opportunities and to allow students the freedom to choose an educational institution on the basis of academic programs, vocational goals, they are also relying on Congress to ensure that adequate funding is available through federal aid programs and so are our students.

Thank you very much.

Senator DODD. Thank you very much. That was very comprehensive. You really have covered a lot.

You mentioned how small the default rate is, and you said that the students who do not remain in the system are the ones who create the most problems in terms of default.

I go back to this question of students not adequately anticipating the costs they are going to incur.

I thought Dr. Loughlin was very candid. He is a Ph.D. economist and, obviously, a very bright individual, who did not even bother to talk to a financial loan officer before his child went off to school.

He says today that was probably not the wisest course of action to follow.

I presume you are finding more of this than not, and I am wondering what can be done to level more with parents and students at the start so that they really understand what they are getting themselves into financially.

Mrs. PEARSON. I know that, when I was a student, financial aid was something that was perceived to be for the very, very bright and for the very, very poor and not for those in the middle.

And I am sorry to report that, 12 years later, the situation has not changed all that much. And, yes, it is affecting students' ability to choose their schools on the right terms.

Price and that limitation is very much a factor when a student goes in to see his guidance counselor in high school, and there are two reasons for this.

One reason is the family's understanding of their limited financial resources and, for some reason, they are sorting themselves out of the process.

They are deciding right away that they are ineligible, and they pick it up from numbers they hear, articles they read.

They see a $30,000 income figure, and the next thing they do is they decide, "I make above $30,000; therefore, I am not eligible for financial aid."

So, they tell their son or daughter, "You go on and see the guidance counselor and tell him they have to find you a school that costs less than $6,000."

And trying to reach them earlier is one means of doing this. As he admitted, he had not ever thought about it until it became an issue.

So, when you are looking at students at the high school level, as freshmen, sophomores, and juniors, we need to be out there reaching to them so that it becomes an integral part of the admissions process.

This is a problem we are experiencing at Quinnipiac right now. Less than 50 percent of all entering students apply for financial aid.

Mr. MAIOCCO. May I comment on that? Another problem there is what is the alternative. You have a young boy or girl, 18 or 19 years old; they want to pursue something to make their lives better.

So, the alternative seems to be, borrow if you want to go to school, or work in a factory the rest of your life. You know, what you want and willing to accept the burden to borrow and hopefully be happier for it?

Senator DODD. I do not think it is quite that simple, Vince.

Obviously, it would be a wonderful thing if you could sit and write checks and hand them out to people, but part of the problem is that people do get into it.

Obviously, without going on in terms of the Federal deficit problem, what we are likely to have in terms of resources is shrinking every year.

That is one of the reasons I supported the debt-reduction package this week, something that is causing a lot of my good friends great concern.

Frankly, I have been watching the situation deteriorate, and I spent 5 years in the U.S. Senate sticking my fingers in the holes trying to reduce the amount of cuts each year. How many more years can I do that?

At some point or another, we have got to put everybody on a similar footing if we are going to address this deficit problem successfully.

I mean, 53 cents out of every taxable dollar that goes to Washington goes to pay interest payments. When does it stop?

In the meantime, it is going to be painful. I think it was David Hill who wanted to go to law school, and he said, "Maybe I should go out and work for a couple of years. I would love to start right away, get out of law school and be out practicing when I am 25, but maybe I am going to have to spend a year or two and build up some capital so I can help contribute to that cost of education for myself."

I think we ought to be honest with people. If things are not going to be dramatically changed, I think we have to live with that for a while.

I think part of it is leveling with people that walk through that door and are coming in as freshmen: "Look, we can do it this year but, based on what costs are going to be like and not anticipating an increase in your adjusted gross income, I do not see how you are going to pay for a third year, frankly."

And I think it is damned important for that to be said to people. It is painful, but honest. And this is even more important if you are correct and that person eventually drops out of the process because of economic reasons. Defaults on loans exacerbate the problem.

Those are the hard facts. I do not like it. I think it is destructive. I think it hurts this country. I think we are denying people the opportunity to make the kind of contributions they are capable of, to themselves, and to their communities.

But I also see a situation deteriorating rapidly. Hence, I am sympathetic to what you are saying, Vince, but I also have to be very realistic.

The truth in the budget process has come home. Some Senators have made a suggestion and I am very curious. There is the suggestion to tie student loan assistance to academic performance, so that once you are into the system, a person must perform well academically in order to receive additional funds.

Should that kind of criteria be applied? Do you have an opinion on that?

Mrs. **Pearson**. I am afraid the first word that springs to my mind when I hear about tying eligibility for loans and grants and financial aid in general to academic performance is the question of access.

Not all of our institutions are the same. Not all of our institutions have the same type of students. They all deserve a shot. Neither are they all measured in the same way.

So, my concern would be that to apply a merit connotation to eligibility for financial assistance to attend a postsecondary school is that it is perhaps a dangerous thing.

By the same token, I think we do need some assurances that students are utilizing those funds in a way that they are progressing through their degrees.

And we have those in place now. We have requirements for a student to maintain satisfactory academic progress, and each institution is required to outline what those requirements are and to monitor those each year for a financial aid recipient. And we do that on an annual basis or a semester basis in some places to ensure that they are maintaining some standard and they are progressing toward that degree.

Because you are exactly right; you can get a student in there who can continue borrowing or continue utilizing financial aid funds, and they can go to the 5-, 6-year-and-up plan and, sometimes, at that point, never come out with a degree.

But they do come out with perhaps $10,000 or $11,000 in debts, and they are no better trained to get a position now than they were 5 or 6 years ago.

Senator DODD. You have got a student sitting in the back of the room who was on the dean's list and is having trouble finding $1,700. It should not be that unfair.

Mrs. PEARSON. Right. And the other thing is that he is a person who is a persistor, and he is an individual who is also a hustler. I hope he will excuse me.

And it should not be that difficult for a good student to obtain the funding that they need to go to school. And I very concerned about those people.

Senator DODD. I agree. Mr. Maiocco, I think you may have touched on the next item already, and I apologize for asking this again.

If you did mention it in your testimony, we will just move on.

As to the loan consolidation provisions in the Senate Bill, I presume you are supportive of that?

Mr. MAIOCCO. Yes; I think both organizations are. My only concern in consolidation is that it not just be limited to one organization. It should be open to the guarantee agency, it should be open to lenders and everyone else because the principle, idea, and philosophy behind it is great, and I think it makes it easier for students to pay back their loans for education.

We find that the default experience in consolidated loans is very good, and we support it, but not just for one agency, for SLMA; I do not think they should have the exclusive privilege for that.

Mrs. PEARSON. I agree with that.

Senator DODD. Well, I would like to thank both of you again. Your testimony has been excellent in both cases. It was so good that it took away all my terrific questions on some of these issues.

So, I appreciate your anticipation and well layed out testimony as well. It will be very helpful. Thank you for being here.

As for our next panel, if you have prepared remarks, whether submitted today or in the future, I will see that it is included as part of the record, in addition to what you may say here extemporaneously.

STATEMENT OF MORTON TENZER, AAUP, UNIVERSITY OF CONNECTICUT

Mr. TENZER. I believe our Washington office sent your staff some prepared testimony which we will be sure to supply if it has not already reached you.

I am here representing the AAUP which is the Nation's oldest and largest faculty organization with over 60,000 members on 600 campuses around the country.

We have over 3,000 members here in Connecticut on virtually every college campus in the State.

I am here to say that faculty is becoming increasingly concerned about the indebtedness of the students with whom we treat and deal with and not only teach but who are, in effect, our colleagues, our friends and the reason why we devote our lives to education.

I am a former college financial officer, as well as a long-time faculty member, and I am very much aware that, in talking to students about their career opportunities, these financial debts that they are accumulating are an enormous burden, not only on them individually, but as a threat to the entire system of financing higher education.

And what we mostly feel—because Federal financial aid has been crucial in the last decade in providing us with a student body that represents both access and choice—we feel that we must keep that going without a catastrophe.

One could cite as success that there are now $50 billion of loans out there, but it fills us with awe because that figure represents more than the indebtedness of major nations in the world.

In my own case,I am now running a 2-year graduate degree program, and my students come to me with $10,000 of guaranteed student loan debts they borrowed as undergraduates.

They then can borrow $5,000 a year for 2 years and they are then $20,000 in debt.

The program I head trains and educates people to go to work in the public service for State and local governments. I do not have to tell you that beginning job salaries in that field are at the $15,000 to $18,000 a year level.

It is virtually impossible to start paying back $20,000 in 10 years when they go into these jobs. I have heard stories from people, after they have gone through all this education, who have to get jobs literally as taxi drivers to pay back their student loans instead of being able to pursue the careers for which we have trained them.

Basically, my recommendation is that Congress must somehow redress the balance between grants and loans, and we recommend going for more grants.

I know that we are up against the problem of the Federal budget deficit. Our suggestion, which we have put in writing to the House Subcommittee and is in our prepared testimony, is to go to $5,000 Pell grants with 75 percent eligibility of total cost. We would make graduate students eligible for 2 years of Pell grants.

We think that that would reduce the loans. And it will not cost as much as it seems at first because, if we increase the grants, students will not have to take out these loans. And we would suggest seeing how that works so we get a better mix between grants and loans because the current process, I think, is one that can create a catastrophe, and then discredit the entire effort of the Federal Government to provide financial assistance to needy people, as well as access and choice.

I have had the pleasure of listening to the other witnesses and learned a lot from hearing all the other testimony, and I respect all the points made.

The faculty, itself, is very concerned about controlling costs. We have no control over that; the decision of what to charge is in the hands of university administrators and trustees.

We recognize, because we are caught on the line, that there is actually a separate index of prices aside from the general Consumer Price Index, the Higher Education Price Index. The things we must buy for libraries and laboratories and so forth have gone much higher than the Consumer Price Index.

And a good part of the explanation of why costs have zoomed in education is that, if you just want to buy test tubes for the lab, they have gone way up much faster than anything else, as well as the other equipment that we purchase involving research, computers, and whatnot. Those things are at the forefront of cost.

So, indeed, as others have told you, it has not been salaries in higher education that have driven up costs. We are still 20 to 25 percent behind what we made in 1972.

But as we look around our campuses, everything that we need and use has gone way up in price. Our administrators did defer some increases in the early 1970's; they are catching up now, but we still have a lot of catchup.

And we are dreadfully upset because we in the AAUP represent both public and private institutions, and our students are now paying $10,000 and above to go to the private schools, $5,000 to $6,000 to attend public institutions and no end of this spiral in sight.

We must, however, under the Higher Education Act, continue to provide the opportunity of access and choice in higher education.

In response to some of the ideas that have been suggested, I object to making eligibility for financial assistance depend on academic performance because I am afraid that we would wipe out with that kind of criterion a lot of the people we want most of all to offer financial aid to: the late bloomers, the people who have had inadequate secondary education.

If we wipe those people out because we tell them they have to have a B average, we would be defeating the whole thrust of the program. I cannot see doing that at all.

[The prepared statements of Mr. Tenzer and the AAUP follow:]

The University of Connecticut Chapter

AAUP

THE AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

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Morton Tenzer's Statement at Higher Education Hearing

PRESS RELEASE

For Immediate Use, Friday, October 11, 1985

Mr. Chairman and Members of the Subcommittee:

I am Morton Tenzer and I am a professor of political science and director of the Institute of Urban Research at the University of Connecticut. I am here today in my role as past chairman of the Committee on Government Relations of the American Association of University Professors, the nation's largest and oldest association of faculty members (60,000) in the United States at 1000 campuses.

I have a prepared statement, which I will summarize briefly, and then I want to share with the members of the Subcommittee some of my own experiences with Pell Grants as a faculty member and former college financial officer.

The AAUP statement reflects the concern of faculty about the growing indebtedness of students. At the national level we are informed by representatives of the Department of Education that students have accumulated a total debt burden exceeding $50 billion. We hope that through the reauthorization of the Higher Education Act it will be possible to redress the balance between grants and loans. Continued large increases annually for Guaranteed Student Loans, while Pell Grants continue to fall behind the schedule incorporated in the Higher Education Amendments of 1980, endangers not only the level of funding for Pell Grants but also the other campus based programs and perhaps all of the higher education programs. In particular, the increases in funding of Guaranteed Student Loans puts at risk the principle and policy of equal educational opportunity, which lies at the foundation of the Higher Education Act of 1965. My purpose today is to urge the members of this Subcommittee to provide a remedy to the escalating indebtedness of students and the danger to equal educational opportunity. Our proposal is to consolidate Pell Grants and Supplemental Grants into a larger Pell Grant with a maximum award of either $5,000 or 75% of the cost of attendance, whichever is less. But more importantly we recommend that Pell Grants be made a true entitlement comparable to Guaranteed Student Loans. We have not determined the precise income level below which every student would be entitled to a Pell Grant. At my own institution, some 1600 receive Pell Grants worth $2.3 million; however, all full aid recipients get $450 less than needed because of a shortage of funds. In aggregate a shortfall of $3 million dollars exists on our campus.

Faculty support for Pell Grants is derived from two sources. One is the traditional desire of teachers to have highly qualified students in their classrooms irrespective of the students' financial status. Presidents, members of Congress, and a series of independent commissions have said repeatedly that no student should be denied a college education solely because of financial reasons. A second source of faculty support derives from the favorable experience both faculty and society had with the G.I. Bill, an entitlement program available to World War II veterans. Faculty themselves were beneficiaries of the G.I. Bill and those faculty who taught classes filled with veterans in the late 1940s passed along to their successors their favorable impression of this entitlement program. In the 1950s the AAUP advocated an entitlement program for low-income students comparable to the G.I. Bill. and therefore it should not be a surprise to anyone that in 1972 the AAUP endorsed the Basic Educational Opportunity Grants included in the Education Amendments of 1972. Our support for Pell Grants has not faltered during the intervening 13 years but rather grown stronger. And today we believe that a larger Pell Grant, based on a true entitlement, will move the nation closer to the goal of equal educational opportunity.

Our prepared statement provides a current profile of enrollments and a summary of what enrollments tell us about recent progress towards equal educational opportunity. We believe that progress appears to be stalled and perhaps even slipping backwards. Our prepared statement also refers to the larger issue of federal support as a part of the national policy of investment in human capital. We contend that higher education is a large, dynamic, but fragile enterprise that plays the primary role in producing the human capital of our society. At the center of this discussion of human capital is the future of the historic partnership between government and higher education. The partnership requires strengthening in order to permit higher education to increase its contribution to the growth of human capital in our dynamic society.

E) The HEP and Camp Programs:

The proposed changes will have no impact on current student programs at Central Wyoming College.

F) The Guaranteed Student Loan Program:

The increased loan amount from $2,500 to $3,000 per school year for undergraduates will assist Central's students in financing their education. It will be particularly beneficial to the college's older-than-average students who are faced with the care and feeding of their families in addition to the educational expenses. With the increase of the available loan amounts, however, comes the perplexing problem of student debt management and the unavoidable fact that defaults on the GSL program are approaching the three billion dollar mark. Laws and regulations requiring extensive debt management counseling by college financial aid administrators fall short of providing a solution to student loan default, since extensions are allowed while the student remains in school. The increased interest rate to ten percent, together with the decreased special allowance will cause undue hardship to our students, who include dislocated workers and displaced homemakers. To reduce deficits, a better system of loan recovery may be established instead of what amounts to an across-the-board penalizing of students.

G) The College Work Study Program:

The increased authorization levels will help to offset the effects of inflation for Central's work study students. A reduction of institutional match requirements from twenty to ten percent for off-campus community service project placements will assist the college in its plan to expand its services in the outreach areas.

H) The National Direct Student Loan Program:

The proposed Bill will not have an appreciable effect upon Central's NDSL program unless revised allocations include "new" dollars.

I) Dependency Status Determination:

In previous years, student dependency was based solely upon three criteria: student residence with parents or guardians, inclusion of the student on the parent or guardian's income tax form (1040), and the financial support of the student by the parent or guardian. For all students these criteria were viewed from a time frame of the year in which the award was made, and the preceding calendar year. The reauthorization bill now establishes various categories of students with differing time frames for eligibility. For example, unmarried students under the age of 23, unlike their counterparts who are 23 or older, will now be required to demonstrate independence from their parents or guardians for the award year and the two previous calendar years (twelve additional months). On the other hand, married students and unmarried students with minor dependents will only be required to satisfy the criteria during the year in which the award is made. This difference in treatment might lead to confusion among students and necessitates the validation of marital status and the presence of minor dependents at home. It is our recommendation that the regulations currently in place regarding the dependency status be retained to prevent such confusion.

J) Simplified Needs Test:

Another change which may cause problems is the simplified needs test for students with a family adjusted gross income equal to or less than $15,000. As proposed in Title I of S. 1965, it is unclear whether student applicants under the $15,000 AGI ceiling will have the prerogative of completing either the new simplified form or one similar to the current forms, which are rather complex but comprehensive. To require the completion of the simplified form by all students in this category would amount to overlooking the broad range of financial situations of students. It is our recommendation that the students be given a choice to select the form(s) most appropriate to their individual situations.

Impact of Gramm-Rudmann on College Programs:

We support the basic intent and purpose of the "Balanced Budget and Emergency Deficit Control Act of 1985 - Public Law 99-177", which is to reduce the national deficit. However, it is very difficult to understand its approach. There are several programs in the "non-defense" area, which are exempted from budget cuts. This means that about 27 percent of the federal budget, which includes education, is required to reduce the $171.9 billion deficit in five years. According to CBO and OMB, about $244 million will be cut in student aid alone this year. Moreover, these cuts are considered to be small in comparison to the cuts that may come in future years. A copy of the proposed cuts in funds for college programs for 1986 (Chronical of Higher Education, January 22, 1986) is attached.

Another area where college programs suffer is in the reduction of mineral royalties. In the past, capital construction projects were funded through this source. The projection for this year indicates a reduction of approximately 8.5 million dollars for the State of Wyoming.

While Education is ready to make sacrificies for a national cause, it should not be required to give up more than its "fair share"--especially when the future of a nation building itself is at stake. A detailed look at the impact of each reduction should be studied before an across-the-board automatic cut is made.

Thank you for giving me this opportunity to share my views with you.

Sincerely,

Edward L. Donovan
President

ELD:ee
Attachment

GOVERNMENT & POLITICS Chronicle of Higher Education *January 22, 1986*

Proposed 1986 Cuts in Funds for College Programs

Recommended reductions to meet the requirements of government's new deficit-reduction act

	Fiscal 1986 budget	Proposed cut
[illegible]		
Student assistance		
Pell Grants	$3,588,000,000	$154,284,000
Supplemental Grants	412,500,000	17,738,000
College Work-Study	592,500,000	25,477,000
State Student Incentive Grants	76,000,000	3,268,000
National Direct Student Loans	218,000,000	9,374,000
Guaranteed Student Loans	3,300,000,000	34,080,000
Graduate support		
Graduate and professional opportunities	11,750,000	505,000
Public-service fellowships	2,500,000	107,000
National graduate fellowships	2,500,000	107,000
Institutional assistance		
International education	32,080,000	1,379,000
Cooperative education	14,400,000	619,000
Veterans Cost of Instruction	3,000,000	129,000
Interest subsidies for facilities	23,500,000	1,010,000
Facilities construction grants	10,000,000	430,000
Facilities loans and insurance	17,986,000	5,000
Law School Clinical Experience	1,500,000	65,000
Aid to disadvantaged		
Developing Institutions	141,208,000	6,072,000
College-aid migrant programs	1,200,000	52,000
Minority Institutions Science Improvement	5,000,000	215,000
Programs for disadvantaged students	176,370,000	7,584,000
Legal Training for the Disadvantaged	1,500,000	65,000
Bilingual education		
Training grants	33,546,000	1,443,000
Bilingual vocational training	3,686,000	159,000
Library resources		
Research libraries	6,000,000	258,000
Training and demonstration	1,000,000	43,000
Education for the handicapped		
Postsecondary programs	5,500,000	236,000
Research and development	17,000,000	731,000
Personnel development	64,000,000	2,752,000
Rehabilitation training	27,000,000	1,162,000
National Institute of Handicapped Research	44,000,000	1,892,000
Education research and statistics		
National Institute of Education	51,231,000	2,203,000
Center for Statistics	8,747,000	376,000
Fund for the Improvement of Postsecondary Education	12,710,000	547,000
Office for Civil Rights	43,636,000	1,876,000
Women's educational equity	6,000,000	258,000
Science and math education	45,000,000	1,935,000
Vocational education	838,814,000	36,069,000
Adult education	101,963,000	4,384,000
[illegible]		
National Endowment for the Arts	165,960,000	7,136,000
National Endowment for the Humanities	140,629,000	6,047,000
Institute of Museum Services	21,384,000	920,000
National Archives and Records Administration	101,293,000	4,356,000
[illegible]		
Basic research	927,000,000	62,700,000
[illegible]		
General science	685,400,000	29,472,000

Notes: Recommendations are from the President's Office of Management and Budget and the Congressional Budget Office. They must be approved by the General Accounting Office and incorporated in an executive order by the President. Education Department officials provided the figures for that agency.

	Fiscal 1986 budget	Proposed cut
[illegible]		
National Institutes of Health		
Library of Medicine		
Research	$16,502,000	$ 710,000
Education and training	41,308,000	1,776,000
International Center	11,561,000	497,000
Institute on Aging		
Research	150,675,000	6,479,000
Education and training	5,816,000	250,000
Institute of Child Health & Human Development		
Research	306,793,000	13,192,000
Education and training	15,013,000	646,000
Research resources		
Research	304,561,000	13,096,000
Education and training	1,106,000	48,000
Cancer Institute		
Research	1,219,686,000	52,446,000
Education and training	32,838,000	1,412,000
Institute of General Medical Sciences		
Research	464,815,000	19,987,000
Education and training	59,280,000	2,549,000
Institute of Environmental Health		
Research	188,756,000	8,117,000
Education and training	8,730,000	375,000
Heart, Lung, and Blood Institute		
Research	814,781,000	35,036,000
Education and training	44,449,000	1,911,000
Institute of Dental Research		
Research	98,118,000	4,219,000
Education and training	5,164,000	222,000
Inst. of Arthritis, Diabetes, & Digestive Diseases		
Research	541,627,000	23,290,000
Education and training	27,513,000	1,183,000
Institute of Allergy and Infectious Diseases		
Research	371,568,000	15,977,000
Education and training	11,894,000	511,000
Inst. of Neurological & Communicative Disorders		
Research	419,598,000	18,043,000
Education and training	13,764,000	592,000
Eye Institute		
Research	189,608,000	8,153,000
Education and training	8,401,000	336,000
Total N.I.H.	5,495,964,000	236,340,000
Alcohol, Drug Abuse, & Mental Health Admin.		
Research	416,980,000	17,930,000
Education and training	41,000,000	1,763,000
Health-professions education and training	227,100,000	9,765,000
[illegible]		
Science and engineering education	55,580,000	2,390,000
Research	1,352,306,000	58,149,000
Total N.S.F.	1,523,886,000	65,536,0000
[illegible]		
Cooperative state research service	291,480,000	12,534,000
Extension service	342,747,000	14,738,000
[illegible]		
Research and development	233,400,000	9,807,000
[illegible]		
Peace Corps	130,000,000	5,590,000
VISTA	19,000,000	817,000
Equal Employment Opportunity Commission	165,000,000	7,095,000
Postal subsidies for non-profit organizations	748,000,000	32,164,000
U.S. Information Service educational and cultural exchanges	140,500,000	6,042,000
Veterans readjustment benefits	817,000,000	35,431,000

Senator WALLOP. Thank you.

Let me suggest to you that one of the purposes behind the drastic solution of sequestered funds, is to force us to confront Federal spending for a whole variety of purposes affecting many Americans.

But leaving that aside, I hope that the process returns there. There is nothing to prevent them from being considered in the ordinary budget process and considered, my guess is they will be because it is not going to be possible for us to do it out of all of these areas.

The drastic solution of sequestration and across-the-board cuts were designed to make Congress choose before it got to that. Whether it does or not remains to be seen. My guess is it will because it is too obviously encumbered with irresponsibility to let it get to that state. If it does get to that state, I would hope that the public would, be expressive enough to run us out.

Mr. DONOVAN. I would hope so too, Senator.

Senator WALLOP. We all must realize that what has happened in the budget process to date is simply this: It has given everybody a way to hide.

I stand for some things. My constituents come to me and I make my fight, and you succeed in those. And then you have your six or seven votes that count for your effort to get the deficit reduced. And everybody else has their six or seven votes to put down their effort to get the deficit reduced. And when it is all said and done, everyone's constituents have been satisfied, and the deficit has grown, not been reduced.

It is curious that, after two major tax increases subsequent to the tax cut, all of which were supposed to be devoted to deficit reduction, that not one dime of reduction took place in those areas; that we in fact increased the rate of growth of Federal Government rather than decreased it after that.

It, Gramm-Rudman—this is the way of taking away the credit card and pulling down the veneer of unaccountability that surrounds that process. And I think it is long past time that we got to them where you cannot hide any more and make those choices. It is my hope that, in making those choices, that we reflect much of what your testimony said about higher education.

Mr. DONOVAN. I think education in general stands ready to make sacrifices for any appropriate national cause. I would hope that that would be looked at in a fair share continuum across all the spectrum that you have to deal with. But, at the same time, I hope we do not see ourselves 5 years from now educating or not educating a country that is becoming more and more illiterate.

One of my major concerns in the community college movement throughout this country within the last 20 years is the fact that, regardless of where blame may be focused, and I am—I am not going to point a finger at any particular area. Almost naturally, 68 percent of all students attending community colleges in this country need remedial reading, writing, and mathematics courses. And so something of a dire nature is taking place here. And I would hope that——

Senator WALLOP. Well, the dire nature that is taking place gets performed before it gets to you. That is an excusable record for a country that provides as much money as we do to primary and secondary education.

Mr. DONOVAN. It certainly is. And I would hope that William Bennett would also focus on higher education in the next several years as much as he did on K-12 education in the previous 2 years. But I would hope that your suggestion that logic, reason, responsibility and accountability once again pervade the halls of Congress. Because I think that is——

Senator WALLOP. It is a lot to hope for.

Mr. DONOVAN. It is a lot to hope for.

Senator WALLOP. But I thank you very much and we will put Terry Brown's testimony in the record as if he had been here and shared the podium with you if it is received in time by the committee.

Thank you and, by all means we understand your need.

Mr. DONOVAN. OK. Thank you.

Senator WALLOP. Next is Joe Ferguson, external affairs executive from ASUW.

It is nice to see you again.

STATEMENT OF JOSEPH P. FERGUSON, EXTERNAL AFFAIRS EXECUTIVE, ASSOCIATED STUDENTS OF THE UNIVERSITY OF WYOMING

Mr. FERGUSON. It is too, Senator.

Senator WALLOP. Joe was kind enough to visit me in my office in Washington, and I appreciated it very much.

Mr. FERGUSON. Mr. Chairman, as a graduating student in electrical engineering, I have had a vested interest in higher education. In addition, as the external affairs executive for the Associated Students of the University of Wyoming, I am the appointed representative and spokesman for the University of Wyoming student body via the student government.

As Senate bill S. 1965 directly affects funding for student loans and grants, I will address a few of the major concerns of the students of the University of Wyoming concerning this bill.

Our first major concern is the overall decrease proposed in appropriations for the student aid programs as compared to current spending ceilings. This signals a reluctance by our Government to help provide minimal levels of access to higher education to disadvantaged students. Reducing funding to programs already established at a particular level of appropriations will undoubtedly force eligible and deserving students out of these programs and possibly even out of college. In a time of increasing foreign influence in industry, technology, and business, we must, as a nation, create a national consensus that a strong system of higher education, accessible to all, is the cornerstone to the elimination of this influence.

We would like to commend the committee on the changes made in the Pell grants and supplemental educational opportunity grants. The combined effect of increasing the Pell grants from the current $2,100 to $3,200 in 1991, and the SEOG to $3,000 will help bring funding more in line with needs. In addition, the establishment of rules giving SEOG grants first to those students who have received Pell grants illustrates that the committee is committed to reaching the truly disadvantaged student.

We do, however, have to take strong exception to the cost of attendance rules (section 103, amendment (2)(A)). In this section, it states that a student without dependents residing at home is allowed to include child care expenses in the cost of attendance, while all other students are not allowed to include this expense.

We do not agree with the changes proposed in S. 1965 to the Guaranteed Student Loans Program. In 1985, student loans accounted for 52 percent of all aid awards, whereas grants and work study accounted for the remaining 48 percent. We cannot allow this trend to continue and offering larger loans to students only encourages this trend. This not only allows students to become more in debt in an attempt to obtain an advanced degree, but it also makes it harder for them to repay the larger loan amounts after graduation. This repayment problem is compounded by the committee's proposal to increase interest rates to 10 percent. We recommend that the committee keep GSL limits at their current levels and channel the additional funds that would have gone into the increased GSL Program back into the various grant programs.

We further would like to recommend that the committee reconsider a clause from the House of Representatives reauthorization bill H.R. 3700. In this particular bill, they proposed that the interest rates for the GSL loans increase to 10 percent during the fifth year of repayment.

The last area we wish to address from Senate bill S. 1965 is section 184. This section establishes a master calendar for the awarding of student aid funds. We applaud the committee's efforts to eliminate the personal frustrations of and delays experienced by students awaiting financial aid. A schedule of this sort is long overdue and will undoubtedly help the program as a whole operate more efficiently.

We were also asked to respond to the effects of the Gramm-Rudman amendment. We anticipate that the Gramm-Rudman amendment will have a compounding negative effect on Federal funding for higher education. As the committee has already proposed an overall decrease in appropriations for the student aid programs, the additional cut of 4.3 percent in funding that would take place on March 1, 1986, under the Gramm-Rudman amendment has the effect of creating a piggyback loss of funds for these programs. Furthermore, the possible additional increase in cuts in 1987 and beyond under the Gramm-Rudman amendment would severely damage the student aid programs. This is because, as the cost of higher education would be going up, the Federal funding available for this same education would be evaporating.

I was asked to discuss a few personal viewpoints. I feel that the committee has overlooked one very important funding issue. That issue is Graduate Education. The House of Representatives bill H.R. 3700 includes an amendment that would create a new program of grants and fellowships to attract students to areas of national need. This would produce personnel trained in specific areas where a national demand did exist. The current nationwide average of foreign students enrolled in graduate programs is 46 percent. This figure alone illustrates that the United States may continue to be influenced by foreign technology unless precautions are taken to correct this trend. The current starting salary differential between new employees with their bachelor's degrees and graduate degrees is approximately $6,000 annually. This obviously is not enough to encourage students to continue on through graduate school. This problem is further compounded when a graduate student must take out additional loans to finance his/her education. With the establishment of the proposed graduate grants and fellowships in areas of national need program, the graduate student could finish a graduate program without incurring large additional debts through loans. I strongly recommend that the committee reconsider establishing such a program.

On behalf of the students at the University of Wyoming, I thank the committee and yourself, Senator Wallop, for this opportunity to address some of their concerns regarding Senate bill S. 1965.

[The prepared statement of Mr. Ferguson follows:]

COMMENTS ON TITLE I
OF UNITED STATES SENATE BILL S.1965,
A BILL TO REAUTHORIZE AND REVISE THE
HIGHER EDUCATION ACT OF 1965

A testimony prepared for:

The Honorable Malcolm Wallop, United States Senator
United States Senate Subcommittee on Education,
Arts and Humanities
United States Senate Labor and Human
Resources Committee

by:

Joseph P. Ferguson
External Affairs Executive
Associated Students of the
University of Wyoming (ASUW)

14 February 1986

This statement is a response to the proposed United States Senate Bill S.1965, a bill to reauthorize and revise the Higher Education Act of 1965.

As a graduating student in Electrical Engineering, I have had a vested interest in higher education. In addition, as the External Affairs Executive for the Associated Students of the University of Wyoming (ASUW), I am the appointed representative and spokesman for the University of Wyoming student body, via the University's student government. I address issues outside of the University that affect the student body as a whole. As Senate Bill S.1965 directly affects funding for student loans and grants, I will address a few of the major concerns of the students at the University of Wyoming concerning this bill. I will follow these comments with a discussion of the effects that the Gramm-Rudman Amendment will have on federal funding for higher education. My closing remarks will focus on my personal viewpoint concerning an additional item I would like the Committee to consider for inclusion in Senate Bill S.1965.

Our first major concern is the overall decrease proposed in appropriations for the Student Aid Programs as compared to current spending ceilings. This signals a reluctance by our Government to help provide minimal levels of access to higher education to disadvantaged students. Reducing funding to programs already established at a particular level of appropriations will undoubtedly force eligible and deserving students out of these programs and possibly out of college. In a time of increasing foreign influence in industry, technology, and business, we must create a national consensus that a strong system of higher education, accessible to all, is the cornerstone to the elimination of this foreign influence.

We would like to commend the Committee on the changes made in the Pell Grants and Supplemental Educational Opportunity Grants (SEOG). The combined effect of increasing the Pell Grants from the current $2100 to $2400 in 1987 up to $3200 in 1991 and the SEOG to $3000 will help bring funding more in the line with needs. In addition, the establishment of rules giving Supplemental Educational Opportunity Grants first to those students who have received Pell Grants illustrates that the Committee is committed to reaching the truly disadvantaged student. We do, however, take exception to the Cost of Attendance Rules (Section 103, Amendment (2)(A)) which allows a student without dependents residing at home to include child care expenses in the cost of attendance while all other students are not allowed to include this expense.

We do not agree with the changes proposed in S.1965 to the Guaranteed Student Loans (GSL) Program. In 1985, student loans accounted for 52% of all aid awards whereas grants and work study accounted for the remaining 48%. We cannot allow this trend to continue and offering larger loans to students only encourages this trend. This not only allows students to become more in debt in an attempt to obtain an advanced degree, but also makes it harder for them to repay the larger loan after graduation. This repayment problem is compounded by the Committee's proposal to increase interest rates to 10%. We recommend that the Committee keep GSL limits at their current levels and channel the additional funds into the various grant programs. We further recommend that the Committee reconsider a clause from the House of Representatives Reauthorization Bill HR3700, in which they proposed that the interest rates on Guaranteed Student Loans increase to 10% during the 5th year of repayment.

The last area we wish to address from Senate Bill S.1965 is Section 184, which establishes a "Master Calendar" for the awarding of student aid funds. We applaud the Committee's efforts to eliminate the personal frustrations of, and delays experienced by, students awaiting financial aid. A schedule of this sort is long overdue and will help the program as a whole operate more efficiently.

We anticipate that the Gramm-Rudman Amendment will have a compounding negative effect on federal funding for higher education. As the Committee has already proposed an overall decrease in appropriations for the Student Aid Programs, the additional cut of 4.3% in funding that would take place on 1 March 1986 under the Gramm-Rudman Amendment has the effect of creating a piggyback loss of funds for these programs. Furthermore, the possible additional increase in cuts in 1987 and beyond under the Gramm-Rudman Amendment would severely damage the Student Aid Programs. This is because as the cost of higher education is going up, the federal funding for higher education would be evaporating.

From a personal viewpoint, I feel that the Committee has overlooked one very important funding issue - Graduate Education. The House of Representatives Reauthorization Bill HR3700 includes an amendment that would create a new program of grants and fellowships to attract students to areas of national need. This would produce personnel trained in specific areas where a national demand exists. The current nationwide average of foreign students enrolled in graduate programs is 46%. This figure alone illustrates that the United States may continue to be influenced by foreign technology unless precautions are taken to prevent this trend. The current starting salary differential between new employees with undergraduate degrees compared to those with graduate degrees is approximately $6000 annually. This salary differential does not encourage students to continue on through graduate school. The problem is further compounded when a graduate student must take out additional loans to finance his/her education. With the establishment of the graduate grants and fellowships in areas of national need program, the graduate student could finish a graduate program without incurring large additional debts through loans. I strongly recommend that the Committee reconsider establishing a grants and fellowship program in areas of national need.

On behalf of the students at the University of Wyoming, I thank the Committee for allowing me this opportunity to address some of their concerns regarding Senate Bill S.1965.

Senator **Wallop**. Thanks very much, Joe.

Whatever it may seem like, let me suggest to you that your statement, and on the first page, "this signals a reluctance by our Government to help provide minimal levels of access to higher education to disadvantaged students" is not quite what has taken place in the bill that we are proposing.

As a matter of fact, what we did was take some of the money from the loans and channel it to the grants so that we would in fact be able to take care of more of the disadvantaged than we presently are, given existent formulas within the guidelines of similar amounts of money; to argue about the guideline of a similar amount of money.

But, in point of fact, given what we have, the structure has been definitely tilted toward those whose need is greatest.

Mr. **Ferguson**. Yes, sir. We understand that in particular. I believe the Senate bill will cut approximately $2 million off current levels. Our concern is that once you take money away from a program that has already utilized those funds, regardless of how you rechannel it, there is less available. Even if you increase the grant amounts, it is going to also mean——

Senator **Wallop**. I think that the basic effect is the grants are slightly increased.

Mr. **Hone**. And the loans go down a little bit.

Senator **Wallop**. And the loans go down. And that, you know, that the needs test is part of what Dr. Veal and others were talking about. We are needing another formula or changes to that formula.

Let me also suggest that where you are saying that "furthermore, the possible additional increase in cuts in 1987 and beyond * * * would severely damage the student aid programs," that is a possibility under any set of circumstances. And, no matter what we spend money on, and my guess is that as accountable legislators, what we see now is a prioritizing and the opposite case of—of failing to do it because the possible cuts will be made is basically the reason why the deficit structure is where it is today. I mean nobody has simply come to grips with any of those scenes, but I can assure you that as long as I am on that committee, we will try to bring back——

Mr. **Ferguson**. We addressed that issue as a possibility because it is our understanding that the Gramm-Rudman would take effect only if the Congress did not make the cuts themselves first. We feel that the congressional body would be a little bit more lenient than the Gramm-Rudman automatically would cut.

Senator **Wallop**. It is designed that way. But it is one of the interesting things that the court only takes off who pulls the trigger. It does not take the trigger away. But my guess is we are going to see Congress working very hard to avoid that automatic thing, and my guess is also that they will succeed in doing it.

The alternative is precisely what you have suggested, so I appreciate very much your willingness to come down this morning and give us the benefit of your talk on behalf of the associated students.

Mr. **Ferguson**. Thank you, sir.

Senator WALLOP. Next is Tim Schutz and Dan Klock. Tim is president of the Wyoming Technical Institute; Dan is the financial aid officer.

Tim.

STATEMENT OF TIMOTHY T. SCHUTZ, PRESIDENT, WYOMING TECHNICAL INSTITUTE, ACCOMPANIED BY DANIEL G. KLOCK, DIRECTOR OF FINANCIAL AID

Mr. SCHUTZ. Along with everybody else, we really do appreciate the opportunity in representing the other school in town, to have the opportunity to be here this morning and to offer our testimony.

As has been stated by others, we have submitted our written testimony. Dan Klock, the director of financial aid, would like to summarize our comments from that. And if we have a few brief moments left after Dan's comments, I would like to make a couple of brief comments about the proprietary industry as it might be affected in more general terms.

Mr. KLOCK. Senator Wallop, Wyoming Technical Institute is a proprietary vocational-oriented institution located in Laramie, with an annual full-time enrollment of over 1,000 students from 30 States around the country. Our specialties are concentrated in the transportation industry providing diploma and degree programs in automotive technology, diesel technology, automotive collision technology, and upholstery.

Mr. Schutz and I appreciate this opportunity to offer testimony on S. 1965 to reauthorize the Higher Education Act, and are proud of the leadership role Senator Wallop has taken on the issue of Federal financial assistance programs as cosponsor of the bill.

While our written testimony provides the committee with ample commentary regarding specifics of this bill, I would like to take a moment to illustrate the impact of aid on our campus which provides a reaction to Secretary Bennett's recent characterization of the proprietary sector.

Approximately 69 percent of our students receive financial assistance. Average Pell grants range in the area just over $1,100; supplemental grants $326; national direct student loans, $1,585; and average guaranteed student loans is nearly maximum.

The loan to grant ratio that students incur on the average is 5 to 1. So students are very clearly willing to take on the debt loans necessary to gain vocational training offered by our institution so they can go out and become productive portions of the population.

I would like to take a moment and quote an article from the January 29 edition of USA Today, and speak briefly about Secretary Bennett's comments that he has made regarding vocational education.

In that article, Secretary Bennett told the Senate subcommittee that many professional and vocational schools are "ripping off the American public" by turning out graduates who fail to meet the minimum standards in their field. Bennett told the Senate Education Subcommittee that vocational and proprietary institutions are the worst offenders.

We would like you to know, Senator, that our measure of quality is our retention rate, and 92 students of every 100 students complete their program of study at Wyoming Technical Institute; 50 percent complete with perfect attendance records.

Another measure of quality education at Wyo Tech is placement. In 1984, 82 percent of our students were placed in jobs related to their course of study. The preliminary indications provide that the 1985 results will be the same.

In terms of academic standards, roughly 93 percent of our students have high school diplomas or GED's as they enter our programs. Our attendance policy is rigid. Students may not miss more than 3 days of class time per 6-week phase or semester, otherwise makeup time is mandatory. Our grading system includes both a traditional grade point system and a competency based component. These ensure minimum technical ability for each student to enter the workplace.

We are deeply concerned when the Secretary makes such disparaging remarks. Wyoming Technical Institute, its staff and instructors offer quality education and resent the broad scope of this criticism.

The written testimony that we have submitted takes our office ideas and suggestions and asks certain questions about the specific provisions of S. 1965.

I would like to go on to general overview.

Every day the "Nightly News" expounds on the deficit crisis in this country. The fact that 50 percent of our gross national product is consumed to pay the interest on the national debt hangs like a dark cloud over the banking industry and prompts TV commercials from W.R. Grace set in some dismal futuristic scene where the devastation is not from the "bomb," but its domestic equivalent—"the deficit."

The economic problems being faced in this country are a complex, interrelated matrix, not easily understood. Yet, in our high-technology society, we have come to expect that answers should come as quickly as a 30-minutes news broadcast. We want our elected representatives to explain the problem, state how easily it can be solved, and calmingly reassure us that we will not be adversely affected.

Quick answers are provided by some "cut Federal spending, cut taxes, cut the deficit, increase defense spending, and watch the economy blossom."

I had the opportunity to watch some of the congressional hearings on the Gramm-Rudman-Hollings bill, and quickly discovered why the news network organizations gave up trying to explain the various facets of this piece of legislation.

March 1 is quickly approaching and with it the first round of Gramm-Rudman-Hollings cuts give Congress and the people of this Nation a taste of the budget slashing to come later this year. Soon thereafter, the States will be forced to pass on reduction of services and/or increase State revenues as the deficit begins to affect us all in a very personal manner.

The economic cross-road at hand is truly of historical dimension as the average citizen begins to suffer through the realization of budget cuts, possible sequestration, and eventual bureaucratic paralysis as the deficit war is waged. Some have already begun to ask questions about the methods being employed. How can we continue to spend more, reduce revenues and, as a result, drive down the deficit? Our own personal financial overindulgences certainly cannot be explained away in this manner.

Suddenly, the short-term answers are not answers—what will be the costs of eliminating some programs and of cutting other domestic programs to the bone over the next 4 years?

The administration's strategy to defeat the deficit includes attacking expenditures for higher education. Their budgets have zero-funded NDSL, seog, and SSIG for several years. The growing Pell grant shortfalls and declining S&E budgets throughout the Department of Education, including funding for training initiatives, have not been addressed through the normal process of requesting supplemental appropriations because of the administration's and Secretary Bennett's philosophy of "spendinq more does not mean better value, or getting more for the taxpayer's buck," unfortunately this theorem is not equally applied to other parts of the budget.

Part of the costs that students attending Wyoming Technical Institute and the State of Wyoming have already met are the increases from 3 percent to 5 percent in the interest charged to NDSL borrowers, and the increase from 7 percent to 8 percent interest charged to GSL borrowers, compounded by an additional 5 percent origination fee, and up to 1 percent guarantee fee. In 1979, the Pell grant program provided needy students with 54 percent of their tuition, but as costs have outpaced appropriations over the past 7 years, Pell awards have actually shrunk by 14 percent. The administration's plan would make these cuts pale in comparison, while denying tens of thousands of students the opportunity to receive financial assistance to gain an education and skills beyond the high school level.

I believe that the sponsors of S. 1965 have stood back and have taken a long look at the importance of higher education in America. Their leadership in the support of assisting low- and middle-income families through title IV programs clearly illustrate their recognition of the importance of an educated electorate. To quote Senator Wallop, "in a democracy, education is the keystone of freedom."

A strong national defense, being a world technology leader, and developing a thriving economy are all crucial components in our national interest. None of these are attainable without an equally superior educational system in this country, and the means to afford that education.

I commend the sponsors of this bill for their vision and wisdom, and hope that they will consider one additional purposes for the Advisory Committee on Student Financial Assistance as defined in section 188 and 491 of the bill. That mission would be to devote part of their efforts to define the role of Federal financial assistance programs as a significant national priority, and the development of a national commitment to long-term goals for achieving excellence in higher education.

As I stated earlier, we are at a crossroad. One possibility is a narrow trail, clumsy and costly to pass, full of pitfalls as it constrains the options for fulfillment. The alternative is to steer a course as set forth in S. 1965. This bill provides clear direction for an exciting national agenda, helping the youth of this Nation to reach new and higher understanding of their own potential.

Again, I want to take this opportunity to thank you for inviting us to provide this testimony.

Mr. SCHUTZ. If I could add two other things very quickly.

One, Dan and I do not have any meetings to attend, so we are going to stick around. We thought we would stick around in case you needed us for any reason.

The other general issue which you have given me the chance to chat with you about, and I appreciate that, but I would like the rest of the subcommittee to hear from Wyoming Technical Institute, it is very upsetting when Secretary Bennett makes his comments like he does about proprietary education.

We have heard other testifiers this morning talk about some of the needs of this country. One of the real needs of this country right now is that manufacturers' technology has totally outrun the service technology in this country. The automotive industry is only one very good example of that. Wyoming Tech and other proprietary institutions are one of the major gap fillers at that point. And if this country is going to survive on the world market, one of the things we have to do is to be able to maintain and service the high-technology equipment we are buildinq and manufacturing.

Yes, I realize there are some proprietary institutions in this country who do not do the job. You have three accredited proprietary institutions in this State who are doing the job, and they are excellent examples of how great proprietary education can be.

We are sick and tired of being treated by the administrative officials like Secretary Bennett, as the bastard child at the family reunion, and we resent that. And for those people that want to come out, Secretary Bennett included, we would dearly love to have him visit our State.

Thank you.

[The joint prepared statement of Mr. Schultz and Mr. Klock follows:]

STATEMENT OF
WYOMING TECHNICAL INSTITUTE
BEFORE THE
SENATE SUBCOMMITTEE ON EDUCATION, ARTS, AND HUMANITIES

PRESENTED BY
TIMOTHY T. SCHUTZ - PRESIDENT
DANIEL G. KLOCK - DIRECTOR OF FINANCIAL AID

FEBRUARY 14, 1986

Mr. Chairman and members of the Subcommittee. Wyoming Technical Institute is a proprietary vocational-oriented institution located in Laramie, Wyoming, with an annual full-time enrollment of over 1,000 students from 30 states around the country. Our specialities are concentrated in the transportation industry providing diploma and degree programs in automotive technology, diesel technology, automotive collision technology, and upholstery.

Mr. Schutz and I appreciate this opportunity to offer testimony on S. 1965 to reauthorize the Higher Education Act of 1965 and are proud of the leadership role Senator Wallop has taken on the issue of Federal financial assistance programs as co-sponsor of the bill. We find this hearing indicative of Senator Wallop's openness to solicit public input on the very critical issue of a healthy higher educational system in this country.

Our discussion will focus on several areas, reaction to S. 1965, the Gramm-Rudman-Hollings Deficit Reduction Act, and general comments on the role of Federal Financial Aid programs.

Senate Bill 1965:

TITLE I - STUDENT ASSISTANCE

Subpart I - Pell Grants

The Pell grant program was developed as a "floor" or foundation for low-income students to gain an equal financial basis with students from more affluent families. Since the inception of this program fourteen years ago, post-secondary educational costs have risen significantly and the Pell program has been broadened to recognize the increased financial burden on the student and family.

The maximum award amounts recommended in S. 1965 will revitalize the program and serve to realign the grant-loan ratio that has shifted toward greater indebtedness in recent years.

I have outlined concerns and comments regarding Subpart I below:

A.) $30,000 INCOME CAP

Section 101.(b)(2)(iii)(page 5-6) states that "No basic (Pell) grant shall be awarded to a student under this subpart if the income of the family of such student is equal to or is greater than $30,000 after subtracting Federal and State income taxes."

While the $30,000 cut-off figure is a precise demarkation for Pell eligibility, I would ask the committee to share their thoughts about the inequity of such a single rigid parameter that does not take a broader and I think a more accurate picture of the families' financial status by also including a look at the number of family members in the household, the number of family members in the household attending post-secondary schools on at least a half-time basis, assets, unusual medical expenses, employment expense allowances and dependent child tuitions paid.

It is interesting that the Pell grant eligibility criteria can be reduced to a single item - Adjusted Gross Income, yet award amount determinations (and I think rightly so) are a function of a wider examination of the families' financial capabilities including the various parameters mentioned above. I view the addition of this single item eligibility factor to be clear, concise and politically feasible, but I question whether an income cap equitably compares students' and their family's financial resources in a manner congruent with the underlying purpose and broader methodology of the Pell grant program.

B.) EXCLUSION OF INCOME AND ASSETS AS A RESULT OF FORECLOSURE, FOREFEITURE, LIQUIDATIONS OR BANKRUPTCY

Pages 14 and 20 of S. 1965 state that on or after July 1, 1986 certain types of income and assets are to be excluded. While this clause in the bill offers additional assistance and more importantly recognition of financial crisis, it may be difficult to operationalize as neither the family's Federal tax report, nor do the Financial Aid forms typically report, whether a family is experiencing foreclosure, forfeiture, liquidation or bankruptcy.

If the bill is implemented this year (October 1, 1986), there may be a problem as the data collection forms have been distributed since January 1, 1986. In future years, the committee's incitefulness and acknowledgement of this problem can be incorporated into the data collection design.

C.) OTHER INCOME DEFINITION

On Page 21 of the bill, the components of annual adjusted family income are described. Under (c) "other income" child support payments and welfare benefits, as well as, veterans benefits and social security are delineated. I would ask the committee if it is their intention to limit this category with these stated items or whether the list should also include dividend exclusion, untaxed capital gains, deductions for married couples, etc. This issue is particularly important to the student, the aid administrator and the Department of Education. In the '85-86 financial aid year, aid administrators were instructed by the Department of Education in June of 1985 that the data collected since the prior January was not satisfactory for validation purposes, thus causing award delays and tremendous backtracking to request separate "other income" worksheets from the student and family. The frustration and sense of futility arising out of this excercise is illustrated first by the lengths and detail of information requested; items such as foreign income exclusion and gasoline tax credits (which were later rescinded for farmers) and secondly by the following statement on Page 37 of the 1985-86 Pell Grant Validation Handbook for aid administrators:

> "Even though the amounts reported as untaxed income on the tax return and the amounts reported for the same items on the (other income) worksheet should correspond, sometimes they will not. If they do not, the amounts reported as untaxed income from the tax return take priority over the amounts of untaxed income reported for the same items on the (other income) worksheet."

I am sure that common sense will prevail thus eliminating the need for an all inclusive "worksheet" approach, when the tax forms will suffice in the vast majority of cases. Aren't several of the most prominent types of "other income" sufficient in lieu of trying to track down every conceivable type of obscure exemption or tax credit?

I ask the committee to reconsider what is an appropriate measure of "other income" and to communicate their decision via this bill to the Department of Education.

D.) DEFINITION OF DEPENDENCY

In various parts of the bill (Page 23, line 23 and Page 67, line 7) the definition of dependency is stated with reference to the amount of time the student has resided in the parents' home. The operative time frame depicted is six (6) weeks. I would ask the committee to consider inserting language "(or 42 days)" thereafter, so as to prevent the possibility of misinterpretation or abuse.

E.) PROCEDURE WITH RESPECT TO AWARD ERRORS

AND OVERPAYMENTS
At the bottom of Page 27 of the bill, Section 105 (e)(2) states, "Whenever a student receives an award under this subpart that is in excess of the amount which the student is entitled to receive under this subpart, the institution of higher education which the student is attending shall pay to the Secretary the amount of such excess." I would appreciate knowing if this language would in any way shift the burden for student error (and student liability) to the institution. Current regulations under Part 690 - Pell Grant Program Regulations Section 690.79 explicitly and judiciously provide for the repayment of overawards based upon assigning liability to either the student or the institution. This is an important distinction in that, when an overaward is a result of student error, the institution should not be held accountable but rather the student. I recognize and appreciate the committee's work to permit aid administrators the capability of recalculating the Pell grant awards thus reducing the amount of time needed to make corrections to the data and providing accurate awards to the students.

F.) DEFINITIONS (f) INCOME FOR A STUDENT WHOSE PARENTS ARE DIVORCED OR SEPARATED (Page 22)
The definitions in this section provide for a clear, concise understanding of how parental responsibility should be established in an estranged family situation.

G.) INCREASE PELL INITIAL AUTHORIZATION
Under the new Pell grant delivery system implemented last year, institutions receive an initial authorization of disbursements. For example, as of July 1, 1985, our institution's initial '85-86 authorization was 60% of the 1983-84 award year. Operationally, this means that schools may not draw funds beyond this amount until they have submitted valid Student Aid Reports to increase their authorization levels, while most institutions are, in fact, making written commitments to their students in excess of 60% of their authorization on or before the July date.

It also means that many institutions must "find" funds in their own budgets to pay Pell grants until such time as the institution can submit valid S.A.R.'s to the Department of Education for authorization adjustments. Then there exists further delay as the request for funds to the Ed. Payments Section cannot be submitted until the authorization process is completed.

As Pell Grants increase in size under S. 1965, it would be helpful and reasonable for the Department to increase the "initial authorization" to an "operating authorization" representing 100% of the prior two years' expenditures. I hope the sponsors of the bill will review this possibility to speed up the aid delivery process.

Subpart II - Supplemental Educational Opportunity Grants

The recommended appropriations for the SEOG program in S. 1965 will positively impact the balance between loan and grant aid, which is an issue of great concern throughout the financial aid community. The renewal and strengthening of the SEOG budget will make it more likely that needy students will not become "indentured" students as they complete their educational careers and enter the work force.

Increasing the maximum grant from $2000 to $3000 and legislating award priority for needy students reinforces the original precepts of the program.

I would ask that the committee give additional deliberation to the elimination of the initial year and continuing year (IY and CY) award distinction and to remove the $200 minimum grant award limit. Both of these constructs serve to weaken the financial aid officers' ability to provide aid and needlessly restrict one's administrative capacity to solve financial problems.

Part B - Guaranteed Loans

1.) General Comments

The extension of the GSL and Auxiliary loan programs, the upward revision of the loan limits and the requirement of a needs test to determine GSL eligibility are fully supported by this presenter.

2.) Loan Consolidation and Repayment Periods

The bill does not speak to loan consolidation and/or the extension of the maximum repayment period beyond the current ten (10) year limit.

As loan limits cited in the bill rise to a maximum of $55,500, monthly repayment would be in excess of $733 per month. This staggering monthly amount would be difficult even for a graduate with a professional degree having a higher than average starting salary. The elongation of the maximum loan repayment period (some suggest a 25 year term) would offer a more reasonable scenario and prevent "instant" default.

3.) Insurance Companies

I commend the co-sponsors in their complete prohibition of insurance company inducement or engagement in fraudulent or misleading advertising under Section 160 of the bill. Exploitation of students and their families must be prevented and I am thankful that the co-sponsors have recognized this problem and are taking strong legislative action to prohibit further abuse.

4.) Interest Rates and Special Allowances

The increase in the GSL interest rate after July 1, 1986 and the reduction of the special allowance by .25% are programatic cost trade-offs during this deficit economy. While these costs will be too much for some students and some lenders to bear, we recognize that it is part of the overall compromise that is necessary during these difficult times. Within the context of the total bill, these are small costs compared to the overall benefits of S. 1965 as long as the outlays of this bill become available and are not derailed by Gramm-Rudman-Hollings.

Part D - Direct Loans

1.) General Comments

Increased appropriation levels set forth in the bill and the re-emphasis of directing aid to needy students re-establishes the type of national commitment evidenced throughout the bill. The growth in budget authority is balanced by greater student contribution expectations and a higher interest rate. These types of parallel commitments provide educational opportunity and at the same time direct and share the expense with the individual who reaps the benefits.

2.) Reapportionment

As to the apportionment rules under Section 177 (Pages 55-57), I would ask the co-sponsors of the bill to assist in my understanding of the reapportionment rule as new NDSL default regulations are about to surface. The Secretary of Education and his staff are about to promulgate new regulations that require institutions participating in the NDSL program to have default rates of less than 5% (during the term of this bill), which is half the currently specified limit. My question is - will Section 177 (B)(3) (Page 57) provide reapportionment, in a timely manner, of NDSL budget authority to those schools with a default rate below the maximum allowable, who request additional Federal Capital Contribution or will these funds become a part of Departmental outlay reductions?

Part E - General Student Aid Provisions

1.) Master Calendar and Delay of Effective Date of Late Publications.

The Master Calendar and Delay of Effective Date of Late Publications provisions of the bill will be a dramatic improvement for those of us involved in day-to-day program administration.

There have been numerous occasions in the past, where regulatory changes are introduced with little or no time for the institutions to prepare. The most recent example is in the 1985-86 award year, where institutions had been collecting needs analysis data from January through June before the Department of Education issued a new set of validation/verification procedures (six months into the data collection process), thus necessitating the collection of new data, recertification of old data, causing higher error rates and much delay.

In the near future, we can expect to receive regulation packages that will substantially change the Guaranteed Student Loan program and establish even broader verification requirements under new General Provisions regulations. There is even a set of proposed regulations covering the National Direct Student Loan program that will drastically reduce the acceptable minimum institutional default rate (above which the Federal Capital Contribution is either reduced or revoked) that reportedly will be retroactive to July 1, 1985! The implementation of the Master Calendar and Delay of Effective Date of Publications provisions are excellent management iniatives to insure against the delay of aid delivery and provide lead-time to institutions for proper implementation.

The Impact of Gramm-Rudman-Hollings

1.) FY '86

The Gramm-Rudman-Hollings across-the-board cut of 4.3% will produce $223.2 million in cuts from the Pell, SEOG, SSIG, CW-S and NDSL programs.

Guaranteed Student Loans are considered under the "controllable" outlay category in the bill and as such are not subject to the 4.3% cut, rather after March 1, 1986, the special allowance paid to lenders will be reduced by .4% and the origination fee paid by the student will be increased by .5%. OMB and CBO suggest GSL savings in 1986 as a result of these changes, to be $9.6 million.

While these cuts will mean higher GSL costs to the student and fewer Federal financial aid dollars available in the other programs, it will translate into smaller average awards for most students and make it impossible for others to attend post-secondary institutions.

An additional concern relating to Gramm-Rudman-Hollings centers on Secretary Bennett's position that the cuts should be priority driven rather than across the board. If this interpretation is permitted, the Administration would have the authority to pick and choose which programs suffer disproportionate shares of the cuts and finally the Administration could zero fund NDSL, SEOG, and SSIG as proposed in its budgets for several years. The Secretary's reduction plan would be a clear usurpation of Congressional authority and a misuse of Gramm-Rudman-Hollings.

While a reduction of 4.3% appears to be a reasonable compromise in the face of a huge deficit, this amount is dwarfed by a looming problem that has gone unanswered in the Pell grant program. Prior year Pell grant shortfalls from FY-83-84-85 now run at an estimated $450 to $470 million dollars. When the $165 million Gramm-Rudman-Hollings reduction is added, the program will be underfunded by $615 to $635 million dollars for 1986 which is a potential reduction of more than 17%. Three options currently exist; a.) the Department of Education could attempt to recoup these shortfalls by requesting reductions in the FY '86 Campus-based funding levels to avoid taking the shortfall from the current year appropriations; b.) continue borrowing the shortfall amounts from future budgets and sidestep the directive from the FY '86 Labor, Health and Human Services and Education Appropriation report which prescribes the implementation of linear reduction rather than "robbing Peter to pay Paul"; or c.) request additional funding through a Supplemental Appropriation request to fund these shortfalls.

As it is unlikely that Secretary Bennett will be visiting the Hill for additional funding, linear reduction becomes a serious threat to the FY '86 program. The reduction is designed to protect those students with an aid index of 0 to 200 (the most needy students) and will impose serious award reductions on the balance of a normally eligible group.

2.) FY '87
The estimates for FY '87 reductions are likely to range between 25% to 35%. Issues such as Congressman Synar's suit against Gramm-Rudman-Hollings and the effects of

not meeting the very generous Administration estimates of higher economic growth and higher revenues along with lower unemployment next year make speculation almost impossible.

One thing is certain, based on monies transferred to the state from the Federal government, Wyoming will suffer the highest percentage of loss of the entire 50 states, (according to an article in the February 5th issue of the CHRONICLE OF HIGHER EDUCATION.) Estimated cuts of over $19 million in FY '86 and over $91 million in FY '87 will have a powerful effect on our state. The decline in Federal funds compounded by the soft oil economy will spell trouble for Wyoming in the near future. These fiscal dilemmas will directly affect the economic well-being of higher education in this state.

GENERAL COMMENTS

The testimony thus far has focused on specifics of the bill, now, permit me to offer an overview.

Everyday the "nightly news" expounds on the deficit crisis in this country. The fact that 50% of our Gross National Product is consumed to pay the interest on the national debt hangs like a dark cloud over the banking industry and prompts T.V. commercials from W.R. Grace set in some dismal futuristic scene where devastation is not from "the bomb" but its domestic equivalent - "the deficit."

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The economic cross-road at hand is truly of historical dimension as the "average citizen" begins to suffer through the realization of budget cuts, possible sequestration, and eventual bureaucratic paralysis as the deficit war is waged. Some have already begun to ask questions about the methods being employed. How can we continue to spend more, reduce revenues and as a result, drive down the deficit? Our own personal financial over-indulgences certainly cannot be explained away in this manner.

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Suddenly, the short-term answers aren't answers - what will be the costs of eliminating some programs and of cutting other domestic programs to the bone over the next four years? What will be the long-term effects of the deficit war?

The Administration's strategy to defeat the deficit includes attacking expenditures for higher education. Their budgets have "zero-funded" NDSL, SEOG and SSIG for several years. The growing Pell grant shortfalls and declining S & E budgets throughout the Department of Education including funding for training iniatives, have not been addressed through the normal process of requesting Supplemental Appropriations because of the Administration's and Secretary Bennett's philosophy of "spending more does not mean better value, or getting more for the taxpayer's buck," unfortunately this theorem is not equally applied to other parts of the budget.

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I believe that the sponsors of S. 1965 have stood back and have taken a long look at the importance of higher education in America. Their leadership in the support of assisting low and middle income families through Title I (formerly Title IV) programs clearly illustrates their recognition of the importance of an educated electorate. To quote Senator Wallop, "In a democracy, education is the keystone of freedom."

A strong national defense, being a world technology leader, and developing a thriving economy are all crucial components in our national interest. None of these are attainable without an equally superior educational system in this country, and the means to afford that education.

I commend the sponsors of this bill for their vision and wisdom and hope that they will consider one additional purpose for the Advisory Committee on Student Financial Assistance as defined in Section 188 and 491 of the bill. That mission would be to devote part of their efforts to define the role of federal financial assistance programs as a significant national priority and the development of a national commitment to long-term goals for achieving excellence in higher education.

As I stated earlier, we are at a cross-road. One possibility is a narrow trail, clumsy and costly to pass, full of pitfalls as it constrains the options for fulfillment. The alternative is to steer a course as set forth in S. 1965. This bill provides clear direction for an exciting national agenda helping the youth of this nation to reach new and higher understanding of their own potential.

I want to take this opportunity to again express my sincere thanks to Senator Wallop and his staff for making time to come to Wyoming and gather imput on this important issue.

Senator **Wallop**. Tim, thank you. And let me say that I understand the defensive cry that comes out of you, and I know the kind of service that your institute provides. But I think you would agree with me that if one looked across the country, one would find significant abuses in that.

Whether a generalization is a way to approach it or not, I do not know. I would agree with you, it lumps a lot of high quality people in with the big dimension whose basic purpose is frankly to do nothing but rip off the Government loan programs.

We see them in Washington, for example, numerous little computer schools that boast they get enough for advertising on television, that try to get people into jobs. You look at their records, and they are pretty dismal.

So without apologizing for Secretary Bennett, but I suggest if he was here, he could probably do it for himself. I understand what you are saying, and I agree with your expression of hurt on that.

But let me ask you this, Dan, are you suggesting that there is no area in education funding that is inefficient?

Mr. **Klock**. What I am suggesting, Senator, is that as we look at Gramm-Rudman cuts coming up, we see cuts for this year plus further reductions—that will grow to 25 or 35 percent which will devastate higher education, students and their families.

Senator **Wallop**. That is one of the great misunderstandings, they do not grow into that next year automatically. There is this now forced choice, and forced prioritizing that Congress is going to have to go through in that, but there is nothing that says it is necessary that we get to that.

Indeed, I would count it as a signal failure if we do, and my quess is that if Congress does, it will count it as such a signal failure that it will suddenly rise up and do what it—that it is supposed to be doing.

Mr. **Klock**. As far as the provisions of S. 1965, we think that the redirection towards the needy students of the grant end loan programs is the right direction to go.

In reviewing some of the formulas that are used to derive what family contributions would be, we found those to be very satisfactory.

We would agree that the more simplistic, or the simpler the process can become in terms of using a needs test, and still retain flexibility on the campus site to handle students' needs, is what we really need, because we are talking about national programs.

When that student and his family is sitting across from you, you need to be able to respond to their particular situation.

Senator **Wallop**. Let me suggest to you that conventional wisdom in this instance is not so very wise.

No. 1, the statement that we have reduced revenue simply is not worn out by the fact that revenues have been increasing faster than any rate since the end of World War II.

No. 2, defense has taken 85 percent of whatever reduction, and proposed spending has been made since 1982.

No. 3, that even after this year's March 4.3 percent sequester, nondefense Government spending will have increased in excess of 8 percent, even after that 4.3 percent reduction, while defense will have had the first real reduction in spending since the immediate year following the Vietnam war.

So, you know, I mean the mention of the problem that we have now is that there is a big misunderstanding of that is going on out there. The fact is that Congress has done nothing to reduce Federal spending. Despite whatever is said, and it is very easy to put it to the bogeyman called defense, because everybody says, oh, that is—but the fact is that the record shows that defense spending is now below what President Carter projects. It is now $7 billion below where Mondale was left out of the election arena for proposing that it would be.

It is getting to the point where funding is significantly more constrained than any other segment of Federal spending. What we have to do is find the means to take care of both sides of growth, and do the job better, and that is what I am suggesting that S. 1965 is an attempt to spend money better than we are spending it today, and assuredly, at a higher rate than the administration wants, but at least it is an attempt to get some accountability in there.

As you have pointed out, here, and as Don Veal and others have, and others will, this bill is an attempt to do that.

What we need from you now, really, is a continuation of that effort, understanding that it is not likely that there is going to be any significant increase in levels of spending.

What we need from you, and what we have gotten today, and we will need as the days go on, is your help in tailoring the most efficient way to spend these moneys, so that whatever impact it has is minimum.

I appreciate it very much that you came here this morning.

Mr. SCHUTZ. We appreciate it, thank you, Senator.

Senator WALLOP. Next is a panel with Lynn Tindall, financial aids officer, Laramie County Community College, and Kathy Moriarity, financial aids officer of Eastern Wyoming College. I will let you choose between yourselves who goes first.

STATEMENTS OF LYNN TINDALL, FINANCIAL AIDS OFFICER, LARAMIE COUNTY COLLEGE; AND KATHY MORIARITY, FINANCIAL AIDS DIRECTOR, EASTERN WYOMING COLLEGE

Mr. TINDALL. Senator Wallop, my name is Lynn Tindall, director of financial aid at Laramie County Community College.

On behalf of Laramie County Community College, I thank you for the opportunity to discuss reauthorization and revision of the Higher Education Act of 1965. We appreciate the hard work and effort put forth into the bill, S. 1965, and the entire reauthorization process.

We are pleased to note that this bill retains a basic structure of the student financial aid programs as we know them today. By retaining these financial aid programs, it is our feeling that the intent of the Higher Education Act of 1965 remains, that is, to help make available the benefits of postsecondary education to eligible students interested in institutions of higher education.

I would like to reference pages 5 and 6 of the bill concerning that no Pell grants shall be awarded to students whose family income exceeds $30,000. We respect the intent of assuring that limited Pell grant dollars are directed to the needy students, we question the requirement of the $30,000 income ceiling. We believe the Pell grant formula should be applied uniformly to all Pell grant applicants.

The Pell grant formula permits the use of a number of data elements that we feel are essential in measuring a family's financial strength.

Furthermore, the placing of an income level on any Federal program will only confuse students and parents. Families will think they do not qualify for any financial aid because their income approaches or exceeds $30,000. This misconception will only eliminate financial needy students from pursuing a quality education.

We support the increment increases in the Pell grant, from $2,400 in academic year 1987–88, to the maximum of $3,200 in academic year 1991–92. The increase in the Pell grant dollar amount is essential for maintaining an appropriate balance between gift assistance and self-help programs for needy students.

While not a part of the bill, but an important aspect of reauthorization, we recommend a serious review of the needs of the Pell grant central processor. Decentralization of the Pell grant processing will in no way hamper the intent of the program. It will, in our observations, enhance the program and streamline the application procedures for students. The current delivery system for the Pell grant requires review, and should definitely be an issue of reauthorization.

Page 28 of the bill, "supplemental educational opportunity grant," we understand and agree that the SEOG should be directed to students with an exceptional financial need. However, a definition of "exceptional financial need" is required to insure all interested parties have the same interpretation.

We recommend that exceptional financial need be defined as applying to students whose total family income does not exceed 50 percent of the cost of attendance, as defined by the institution the student is attending.

This definition will assure funds are directed to the students with the greatest financial need. Therefore, it will be unnecessary to become a Pell grant recipient in order to receive the SEOG.

We are somewhat reluctant to support the increased GSL borrowing amount and increased interest rate. Our reluctance is reduced, in part, by the recommendation of making the GSL a needs-based program. It is our opinion that this will reduce some unnecessary borrowing, and require families to scrutinize carefully their available income for education.

Our reluctance would be reduced even further should a loan consolidation program be part of reauthorization. We have no problem with students borrowing in full or part to meet their educational expenses.

However, we are very conscious of the unmanageable debt of students after graduation. Loan consolidation makes it feasible for a student to acquire a degree of indebtedness and make repayment obligation manageable. In our opinion, this will certainly reduce the default rate, and will far exceed the potential dollars associated with paying out defaulted loans due to unmanageable debt.

On pages 66 to 68 of the bill, we endorse the tightening of the definition in determining a family's obligation to assist in their children's educational costs. The definition must be simple, must possess elements that are measurable, and must prevent parents or students from creating an independent situation for the convenience of receiving financial aid.

The definition set forth in the bill is attractive, but still contains two elements that are difficult to verify; financial support and residency.

We are pleased to note that on page 71, section 482(b), contains a "master calendar for financial aid purposes." We certainly hope to see this as a final part of the "Higher Education Amendments of 1985."

We do have some concern regarding satisfactory progress, beginning on page 76. We feel it is not in the best interest to place a specific grade restriction in legislation regarding satisfactory progress. The financial aid community and institutions of higher education have made great strides in monitoring satisfactory academic progress.

Institutions are presently required to have a reasonable satisfactory academic progress for financial aid recipients. The guidelines published by the Education Department has been of assistance to institutions in evaluating the effectiveness of their individual policies.

We would appreciate having a review of the grade "C" requirement incorporated into legislation.

In closing, we thank you for the opportunity to express our views, and appreciate the fine work by the subcommittee on the reauthorization process.

Thank you.

[The prepared statement of Mr. Tindall follows:]

STATEMENT OF

LARAMIE COUNTY COMMUNITY COLLEGE

BEFORE THE

SENATE SUBCOMMITTEE ON

EDUCATION, ARTS AND HUMANITIES

PRESENTED BY

Lynn C. Tindall, Director of Financial Aid

February 14, 1986

Mr. Chairman and Members of the Subcommittee, on behalf of Laramie County Community College (LCCC), I thank you for the opportunity to discuss reauthorization and revision of the Higher Education Act of 1965.

LCCC is pleased to note that the Bill S.1965 retains the basic structure of the financial aid programs as we know them today. It is our belief that the programs have served the student population well and have a quality track record. Furthermore, we feel Bill S.1965 continues to support the purpose stated in the Higher Education Act of 1965 - that is to help make available the benefits of post secondary education to eligible students in institutions of higher education.

We appreciate the hard work and effort put forth into the reauthorization of the Higher Education Act of 1965. There are many aspects of the Bill we support. However, we do have some concerns which we will address in this written response. My comments will concentrate on reauthorization regarding the student financial aid programs. As requested, I will comment on our views regarding the impact of Gramm-Rudman on the student population at Laramie County Community College.

The Bill indicates an effective date of October 1, 1986, to implement the amendments made by this Act. Since that is less than eight months away , it would be difficult for all parties involved to put these amendments into motion within that time. The fiscal year, for student financial aid purposes at the institutional level, begins on July 1, 1986. A great deal of confusion will arise for students and institutions should regulations governing student financial aid change in the middle of a fiscal year.

PELL GRANT

The Bill places a maximum $30,000 income ceiling level on families for Pell Grant eligibility. While we respect the intent of assuring that the limited federal Pell Grant dollars are directed to the needy student, we question the requirement of the $30,000 income ceiling. We believe the Pell Grant Formula should be applied uniformly to all Pell Grant applicants when determining a student's eligibility. The Pell Grant formula permits the use of a number of data elements that we feel are essential in measuring a family's financial strength. Such elements as home equity, household size, and number of siblings in college are all essential in evaluating a family's ability to finance their siblings' educational costs. Appendix A demonstrates that at Laramie County Community College there is no indication that Pell Grant dollars are going to families with incomes above $30,000. During 1984-85 at LCCC 87% of the Pell Grant recipients were below $15,000 and 99% are below $30,000. For current year, 1985-86 79% are below $15,000 and 98% were below $30,000. Furthermore, the placing of an income level on any federal financial aid program will only confuse students and parents. This problem is evident today with the Guaranteed Student Loan: families think they do not qualify for any financial aid because their income approaches or exceeds $30,000. This misconception eliminates a number of families from applying for aid therefore, hindering the student's ability to pursue a quality education.

We support the increment increases in the Pell Grant from $2,400 in academic year 1987-88 to the maximum of $3,200 in academic year 1991-92. The increase in the Pell Grant dollar amount is essential for maintaining an appropriate balance between gift assistance and self help programs for needy students. We further support the adjustment in the cost of attendance for calculating a student's individual dollar award and retaining the current requirement that a Pell Grant award not exceeding 60% of the cost of a student's attendance. The 60% of the cost of a student's attendance has been acceptable and workable to the majority of people in the public and private sectors in higher education.

Information received with this Bill indicated that assets in the principal place of residence for student or parent are to be treated the same as in the current Pell Grant Formula. However, in reviewing the Bill we were unable to locate the home assest as a means of calculating Pell Grant eligibility. Our review was limited to page 13 (lines 19-24) and page 14 (lines 1-9) for parental home assets. Review of home assets for the independent student were limited to page 19 (lines 17-25) and page 20 (lines 1-8) . It is our understanding that home assets were to be used as a measure when determining a student's Pell Grant eligibility. It is our desire to retain home assest as one means of determining eligibility.

In relation to the Pell Grant Program we recommend a serious review of the need for the Pell Grant Central Processor. The intent of the Pell Grant Program can certainly be retained without the Central Processor. The Pell Grant will still be directed to the needy, will remain portable as far as the student's college selection is concerned and will continue to be the floor of a student's financial aid package.

However, we foresee major improvements taking place in the Pell Grant Program, should the Central Processor be eliminated. Presently, the private sector, Multiple Data Entry processors (MDE), are calculating a student's Pell Grant Index. By having this index number available the Financial Aid Office can quickly and accurately advise students of their Pell Grant dollar eligibility and disburse the funds to eligible students. Currently, students wait for the Pell Grant Processor to complete and forward the SAR and in turn forward the SAR to the institution. The MDE processor has already provided the necessary information to readily begin packaging a student's financial aid award. Statistics in prior testimony offered by NASFAA indicate 85% of the Pell Grant applicants are processed through the MDE processor. Since the majority of applicants use the MDE processor it would not appear that decentralization of the Pell Grant would be a major transition or a disruption to the financial aid process.

By decentralizing the Pell Grant processing, the means of applying for financial aid will be streamlined and student and parent confusion reduced. In our opinion, many lower income families are discouraged from applying for financial aid because the process is confusing and they are not used to working with the bureaucracy problems. Therefore, they simply do not apply for financial aid.

In light of the current economic picture and concerns about assuring that adequate funds are available for needy students, the elimination of the Pell Grant Processor can help. Figures from NASFAA testimony have indicated the annual cost of operating the Pell Grant processor is estimated between 20 - 30 million dollars. These dollars could readily be used to assist the needy student. The current delivery system for the Pell Grant requires review and should definitely be an issue taken up in reauthorization.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT

We understand and agree that the Supplemental Educational Opportunity Grant should be directed to students with an exceptional financial need. However, we feel a definition of "exceptional financial need" is required . It is essential that all parties involved, such as the Education Department, auditors, and intitutions have the same interpretation of "exceptional financial need". We recommend that exceptional financial need be defined as applying to students whose total family contribution does not exceed 50% of the cost of attendance as defined by the institution the student is attending.

We further feel that by using this definition, it will be unnecessary to become a Pell Grant recipient in order to receive a Supplemental Educational Opportunity Grant. This definition will assure that funds are directed to the student with the greatest financial need.

STATE STUDENT INCENTIVE GRANT

We support the amendement requiring that each state pay the non-federal share of the cost for operating the State Student Incentive Grant (SSIG) program from state or other public sources. In our opinion this will work to support the intent of the SSIG program, to make incentive grants available to states to assist them in providing grants to eligible students attending institutions of higher education.

GUARANTEED STUDENT LOAN PROGRAM

We are somewhat reluctant to support the increased levels for annual and total aggregate loan borrowing for students to finance their educational expenses. Our reluctance is reduced in part by the proposal of making the Guaranteed Student Loan (GSL) program a total need-based program. It is our opinion that this will reduce some unnecessary borrowing and require parents and students to scrutinize carefully their available income for education. We feel that the GSL program will function very adequately if totally need-based. If institutions create budgets that realistically reflect the cost of education for students and use a current and fair needs analysis system, the individual student's case should adequately be reviewed.

Again, we are reluctant to an increased interest rate on the GSL program. However, we recognize the need and ask that the interest rate be reasonable. We prefer the recommended 10% interest rate in the Bill. Futhermore, we appreciate the consideration for allowing students with outstanding or unpaid principal balance on a GSL to retain that interest rate on future loans.

The needs analysis for determining GSL eligibility should be one that measures a family's or student's financial strength and should not be sensitive to federal program dollars available. The needs analysis we prefer is the Uniform Methodology.

Again, we have indicated our support, with some reluctance, to an increased borrowing amount for students and the increased interest rate on the GSL loan. In order to alleviate some of our reluctance, a loan consolidation program must be part of the reauthorization process. We are concerned about the total loan indebtedness of students after graduation. We have no problem with students borrowing in full or part to meet their educational expenses. However, we are very conscious of the manageable indebtedness of students. Loan consolidation makes it feasible for a student to acquire a degree of indebtedness and make repayment obligation manageable. A manageable repayment will certainly assist in reducing the default rate. It appears to us that the cost of a loan consolidation program will far exceed the potential dollars associated with paying our defaulted loans due to unmanageable debts.

We endorse the procedure presented by NASFAA for creating a loan consolidation program. Basically, the recommendation for eligibility for a student is $7,500 or more indebtedness from a single federal loan program, or $5,000 or more from more than one federal loan program. We recommend that the loan consolidation program be available to everyone who meets the criteria stated. We further ask that serious consideration be given to an appropriate interest rate. The interest rate may be flexible depending on the term of the repayment period for the consolidated loan. That way, the student will share an appropriate part of the cost for the privilege of extending payments. A maximum repayment period of 20 years should accomodate the loan consolidation program.

It is our belief that loan consolidation is necessary to ensure the success of the GSL Program and success for future college graduates.

NEEDS ANALYSIS

We endorse the concept of a single needs analysis when determining a family's or student's ability to meet educational expenses. We prefer the current needs analysis known as the Uniform Methodology. We truly feel this methodology is the most equitable means of measuring a student's or family's ability to finance educational costs. The Uniform Methodology is geared to determine a family's ability to pay and not respond to program dollars available.

In efforts to streamline the needs analysis procedures, we question the establishment of a simplified need test for families with incomes of less than $15,000. We certainly favor an overall simplified needs analysis system but feel income alone is not an adequate measure of a family's ability to pay. Low income may not adequately reflect a family's ability to pay due to tax write-off capabilities accorded to business or farm situations. We feel many of these families are in a better financial situation than those not possessing such fixed assets. To maintain an equitable evaluation of all families ability to pay and to ensure that scare financial aid dollars are distributed equitably, a single needs analysis or methodology must be utilized. If we use one methodology in determining financial need, this alone will go a long way in simplifying the needs analysis process.

MASTER CALENDAR

We are pleased to note the Bill contains a Master Calendar for financial aid purposes. This will assist the institutions in assuring that financial aid is delivered to the needy student in a timely matter. We certainly hope to see this as a final part of the "Higher Education Amendments of 1985".

INDEPENDENT STUDENT

The current definition is an adequate means of measuring a student's financial independence from parents. However, the definition does not necessarily take into account the family's obligation to assist the student in meeting his or her educational costs. We do feel that parents have an obligation to assist their children to the best of their financial ability. The problems with the present definition is that the criteria of residence and financial support are difficult to verify. Therefore, we endorse the tightening of the definition in determining a family's obligation to assist in educational costs. The definition must be simple, must possess elements that are measurable and must prevent parents or students from creating an independent situation for the convenience of receiving financial aid. The definition set forth in the Bill has attractive features in that two of the four major elements are measurable. Age and tax exemption status are measurable elements while the other two, financial support and residency, are not as easy to verify. In order to use only measurable elements we support the following definition for determining a parent's obligation to assist the student:

(A) Parental responsibility is assumed and parental financial data is required for need analysis for students under age twenty-three on January 1 of an award year unless the student: (i) is an orphan or ward of the court; (ii) is a veteran of the Armed Services of the United States; or (iii) has documented unusual circumstances, as determined by the financial aid administrator.

(B) Parental financial data shall not be included in the need analysis, unless required by the institution or agency, for students who are twenty-three years of age or older by January 1 of an award year.

SATISFACTORY ACADEMIC PROGRESS

We prefer that only a slight change in wording be made to improve and emphasize that the student be maintaining satisfactory academic progress toward a degree or certificate in order to receive financial aid. It is not in the best interest to place specific grade restrictions in legislation regarding satisfactory progress. The Bill indicates a "C" grade average be maintained after the second year of study or its equivalent to retain future financial aid. With different measures of academic achievement at various institutions of higher education there will certainly be some difficulty in identifying the equivalent of a "C" grade average. The requirement of a "C" grade average after a student's second year of study is quite inconsistent with our understanding of satisfactory academic progress toward a degree or certificate. At LCCC a student is permitted up to six semesters or three years of full-time study to acquire an associate degree. Appendix B will illustrate that a student can meet the graduation requirements of LCCC and maintain academic progress without a "C" grade average after two years of study.

The financial aid community has made great strides in monitoring a student's eligibility for financial aid due to satisfactory academic progress. There was much uncertainty among the higher education community on what is satisfactory academic progress, and this uncertainty was fueled by a lack of direction from the Education Department. The recent guidelines published by the Education Department have been of great assistance for institutions in evaluating the effectiveness of their individual satisfactory academic progress policies. We would appreciate having a review of the grade "C" requirement incorporated into the reauthorization process.

GRAMM-RUDMAN

The impact on the student financial aid programs by the Gramm-Rudman Bill is somewhat difficult to predict. It is not known what the extent of the reductions will be and how student financial aid programs will be reviewed. The following observations are based on reductions that would be most unfavorable to student financial aid due to the implementation of Gramm-Rudman.

During the 1984-85 school year, LCCC disbursed a total of $362,000 in Pell Grant and campus-based aid. The average award for all recipients was $920. Assuming a 4.5% reduction in financial aid for fiscal year 1986, it is anticipated that 20-25 students would lose all financial aid consideration and probably would not be able to continue their educational objectives. It is difficult to determine the number of students who would not return to college due to a reduction in financial aid dollars available. However, in light of increased tuition and increased cost of living a certain number of students will certainly not be able to continue their educational studies due to reductions.

Should the Gramm-Rudman Bill reduce the fiscal year 1987 budget for student financial aid by as much as 25%, this would be devastating to the student population. The total dollar volume loss in Pell Grant and campus-based financial aid at LCCC would be $90,500 and would eliminate 100 students from receiving Pell Grant and campus-based financial aid. We truly feel that those 100 students would have a great deal of difficulty in continuing their educational pursuits due to the loss of financial aid.

We realize there are a number of options and factors which can soften the reduction in student financial aid dollars. We would ask that these options be reviewed to prevent a serious erosion of needed student financial aid dollars.

Again, we thank you for the opportunity to express our views and appreciate the fine work by the subcommittee on the reauthorization process.

APPENDIX A

Pell Grant Recipients By Income At Laramie County Community College

1984-85

Income	No. of Recipients	Percent
1-5000	220	53.3
5001-10,000	83	20.1
10,001-15,000	56	13.6
15,001-20,000	36	8.7
20,001-25,000	11	2.7
25,001-30,000	4	.9
30,001 and greater	3	.7
Total	413	100.0%

1985-86

Income	No. of Recipients	Percent
1-5000	189	47.4
5001-10,000	60	15.1
10,001-15,000	67	16.8
15,001-20,000	46	11.6
20,001-25,000	20	5.0
25,001-30,000	7	1.8
30,001 and greater	9	2.3
Total	398	100.0%

Appendix B

First Year	Credits	Qtr GPA	Cum GPA
Semester 1	12	2.16	2.16
Semester 2	15	2.20	2.18
Second Year			
Semester 1	11	2.00	2.13
Semester 2	14	1.21	1.88[1]
Third Year			
Semester 1	9	3.00	2.04
Semester 2	10	2.50	2.11[2]

1. Cumulative GPA below 2.00 after second year of study.

2. Cumulative GPA above minimum graduation requirement of a 2.00

Senator WALLOP. Thank you, Lynn.

Kathy.

Ms. MORIARITY. Thank you, Senator Wallop.

I thank you for the opportunity to come here and testify today, not only on S. 1965, but also on other aspects of the financial aid delivery system currently in the press.

I am the director of financial aid at Eastern Wyoming College, in Torrington, and I have been in financial aid for a total of 7 years.

I think the members of the Senate Subcommittee on Education have worked hard to draft a bill which maintains a strong Federal commitment to higher education, and thus a commitment to the future well-being of our country.

First of all, let me just list some of the aspects of the bill that I found particularly meritorious. Extension of Pell grant eligibility to first year graduate students, an increase in SEOG and college work-study annual amounts, although I would like to see those increases be greater.

Requirement of a needs test for all GSL applicants, inclusion of child care as an allowable expense, access for less than full-time students to have Federal aid, more equitable treatment of self-supporting students with dependent children, and the extablishment of a master calendar.

And finally, the authorization of an Advisory Council on Student Aid, which will be independent of the Department of Education.

The aspects of the bill that I have found troubling were the increase in the loan ceilings, and the aggregate ceilings for GSL programs. I think we are making heavy debtors out of our students, and I think it would be far better to increase authorization for college work study, for instance, as well as some of our grant programs.

I am also troubled by the increase of interest rates of GSL to the 10 percent, and the 7 percent for the national direct student loans.

The ceiling of $30,000 in Pell grants, I am also troubled by that. I would agree with Lynn Tindall, that I think that poses some arbitrary constraints that should not be in place.

Yet another concern that I have is that we are not making educational assistance accessible to all students. The current unwieldy complexity of the Federal aid application process is a major deterrent to families attempting to obtain aid. The process is no less trying for those of us who work in financial aid.

The recent additional burden of documentation, validation, and unnecessary duplication of paperwork, has created an extremely difficut environment in which to work. In fact, one might say that the Department of Education is making our jobs almost impossible.

Students who are supposed to benefit from the aid programs are definitely being hurt by this complexity. I think that some of these problems could be at least partially alleviated by less excessive requirements of validation. I do not feel that the validation we have in place is particularly beneficial. We need to limit it to critical items only.

Yet, another problem, and perhaps the major problem in financial aid that I see right now, is the fact that student aid does not adequately address the financial needs of the adult learner.

As we stride to aid legislation which will affect the course of education for the next 5 years, we need to focus on what is occurring right now on our campuses. In 7 years, according to the National Center of Educational Statistics, 49 percent of all students will be over the age of 23.

On my own campus, 60 percent of all our students, both full time and part time, are over the age of 25. What are the characteristics of these adult learners? They are more likely to be part time, rather than full time, female rather than male, most are over the age of 25, and many come from low-income families, are single parents. The vast majority of these students are succeeding remarkably well, despite tremendous personal sacrifices.

But how we structure access to financial aid, and the way in which we reorganize financial aid, is of major importance to this new generation of students. It is, in fact, critical. Their needs are quite different from those of the dwindling number of 18- to 22-year-old students.

Meeting child care costs, for instance, may be of greater importance than tuition support. It is encouraging to see the strides that have been made by the Senate subcommittee in addressing some of these needs.

The child care, for example, using this as an allowable expense, access to Federal aid for those who are less than half time. These changes in the bill are most welcome, and long overdue. But we have to look to our program of Federal student assistance to help our adult learners.

These are the primary supports, and primary incentives to those students. These programs must be better funded, for they are targeted to our adult learners in most instances.

At Eastern Wyoming College, 80 percent of all students over the age of 25, full time students, are economically disadvantaged. Such programs as Pell, SEOG, and SSIG are of vital importance to these adults

While we talk of incentives to our nontraditional students, we must also direct our attention to current disincentives. I am speaking here of the concerns I have in regard to the needs of our students who receive aid for families with dependent children, food stamps, or unemployment.

When such person receive educational assistance in the form of Pell grants, SEOG, or work study, the Department of Public Assistance negates these incentives and support by reducing or eliminating other assistance, such as food stamps. This kind of practice, in my opinion, must be stopped, for it works a terrible hardship on our low income adults.

It is crucial that we provide, in this Nation, wherewithal for our struggling families to gain the necessary skills and education to support themselves.

Finally, I would like to address the issue of Gramm-Rudman. While all of us are aware that cuts must be made, and all of us are committed to a balanced budget, measures to achieve a balanced budget must be fair, and not be placed primarily on the backs of domestic programs.

If a sequestering order is imposed on March 1, 1986, the overall funding for all title IV student aid programs, with the exception of the GSL program, would be reduced by 4.6 percent beginning July 1, 1986. In fiscal year 1986 (sic), the percentage cut in student aid would likely be between 25 to 35 percent.

If, however, revenues were increased, or any other areas were reduced more, then student aid might be cut less. Even at the very best, however, all indications are that educational funding, and student aid in particular, will face major dollar reductions.

It would seem imperative that additional revenues be found, revenues that would be less painful than those accruing from personal income taxes. Further, cuts must be fair. It would seem that we must not allow the Gramm-Rudman Act to keep us from moving forward on things which are critical to our country's advancement.

Our national security, and overall productivity will be seriously jeopardized if education is placed out of reach of many Americans.

Thank you.

[The prepared statement of Ms. Moriarity follows:]

STATEMENT BY KATHY MORIARTY

Title I - Student Assistance

S. 1965, the bill which reauthorizes the Higher Education Act of 1965, is of vital importance to students across the nation and to the post-secondary institutions which serve them. In great part, this bill will determine access to higher education for our citizenry over the next five years.

The members of the Senate Subcommittee on Education, Arts and Humanities have worked hard to draft a bill which maintains a strong federal commitment to higher education and thus a commitment to the future well-being and health of our country. For, without an educated populace, we would be poor indeed.

At the same time, certain unacceptable facets of federal student aid, such as the availability of Guaranteed Student Loans without the demonstration of financial need, have been righted.

I am pleased to have the opportunity of testifying on behalf of S.1965. as well as in regard to other aspects of the present financial aid delivery system. I am the Director of Financial Aid at Eastern Wyoming College. I have been in financial aid for a total of seven years.

The aspects of the bill I found particularly meritorious are the following:

- extension of Pell Grant eligibility to first year graduate students
- increase of SEOG and College Work-Study annual amounts
- requirement of a needs test for all GSL applicants
- inclusion of child care as an allowable expense
- more equitable treatment of self-supporting students with dependent children as regards the contribution expected from them to meet educational costs
- use of a simplified need analysis for families with incomes of less than $15,000
- authorization of an advisory council on student aid which will be independent of the Secretary and the Department of Education
- the inclusion of the Satisfactory Progress bill requiring that students must maintain a "C" average after the completion of the second year of college.

Aspects of the bill I find troubling are the following:

- limitation of Pell cost of attendance to $2400 for students residing in institutional housing
- increases in SEOG annual authorizations are not great enough

- increase in College Work Study annual authorizations are not great enough
- increase of loan ceilings and aggregate ceilings for GSL program are making heavy debtors out of our students--far better to increase authorizations for CWSP
- increase in interest rate of GSL's to 10 percent
- increase in interest rate of NDSL's to 7 percent
- satisfactory progress requirements should mandate that students maintain a "C" average after the completion of the first year of college as opposed to the second year

As we strive to create legislation which will affect the course of education over the next five years, we need to focus on what is occuring right now on our campuses. We need to pay attention to what started as a trend and has not become a wave which will continue to build and build in momentum. This wave is the non-traditional students or the adult learners--the "new generation of students". In seven years, according to the National Center of Educational Statistics, 49 percent of all students will be over the age of 23.

What are the characteristics of these adult learners? They are more likely to be part-time than full-time, female than male. Most are over the age of 25 and many come from low incomes. Many are single parents.

The vast majority are succeeding remarkably well despite tremendous personal sacrifices. But, how we structure access to financial aid and the way in which we reorganize financial aid is of major importance to this new generation of students. It is, in fact, critical.

Their needs are quite different from those of the dwindling number of 18-22 year-olds. Meeting child care costs, for instance, may be of greater inportance than tuition support.

It is encouraging to know that the members of the Senate subcommittee in drafting this bill were cognizant of the changing demographics of the student population. Your members have attempted to reflect these changes in the way in which financial aid is distributed. Several examples come to mind:

- child care in included as an allowable expense
- there is a more generous treatment of self-supporting students with dependent children as regards the contribution expected from them to meet educational costs

These changes are most welcome and long overdue. We must go further, however in assisting our adult learners, the majority of whom have very low incomes. We must go further if we are to avoid what research has predicted and the literature terms the "feminization of poverty". That is, if economic trends continue as they are now, 98 percent of those in poverty in the year 2000 will be either women or children.

We must look to our programs of federal student assistance in helping our adult learners. These programs serve as the primary supports and incentives to our students. Presently, our student aid programs are unable to adequately address the financial needs of adult learners. Our grant programs must be well-funded for such grant programs are targeted for the neediest students. Our adult learners, in most instances, fall into this category. At my own institution, 80 percent of our students over the age of 25 are economically disadvantaged. Such programs as Pell, SEOG and SSIG are therefore of vital importance to adult learners.and should have greater funding, particularly the SEOG program.

While we talk of incentives to our non-traditional students, we must also direct our attention to current disincentives. I am speaking here of the concerns I have in regard to the neediest of our students who receive AFDC, Food Stamps or unemployment. When such students receive educational assistance in the form of Pell Grants, SEOG, etc., the Department of Public Assistance negates these incentives and supports by reducing or eliminating other assistance such as Food Stamps, received by the same students. This kind of practice must be stopped for it is working a terrible hardship on our low-income adults who are already making such enormous sacrifices to better their lives and the lives of their children.

As a former public assistance caseworker in Washington, D.C., I am keenly aware of the bare bones resources provided through the Department of Public Assistance. Further reduction of such resources only serves to penalize the recipients whose desire and will to get off such a system is painfully apparent. In my opinion, it would seem mandatory that we provide the wherewithal for our struggling families to gain the necessary skills and education to support themselves . The alternatives are bleak indeed—unemployment, poverty and despair.

Yet another concern I have is that we make educational assistance accessible to all our students. The current unweildy complexity of the federal aid application process is a major deterrent to families attempting to obtain aid. The process is no less trying for those os us who work in financial aid. The recent additional burden of documentation, validation and unnecessary duplication of paperwork has created an extremely difficult environment in which to work. Financial aid staffs who are already very strained due to a historic lack of sufficient personnel are being absolutely pushed to the wall. The roadblocks the U.S. Department of Education is erecting are making our jobs impossible. Students who are supposed to benefit from the aid programs are being thwarted. The very people these programs were designed to assist are being hurt.

These problems could be at least partially alleviated if validation were limited to critical items only. Other measures which will help to stem these difficulties include the simplified test for families with incomes of less than $15,000 and the creation of an advisory committee on student financial assistance which will be independent of the Department of Education. I applaud the Senate subcommittee for its efforts in this area.

Yet another problem area in the delivery of financial aid is the method of payment from the Department of Education to post-secondary institutions. Institutions presently receive an initial authorization from the Department of Education to pay eligible students Pell Grants. In most cases, the authorization falls short of the number of eligible students, requiring institutions to incur major financial liability to advance payments to students who qualify for federal dollars.

The Pell Grant program, which is the primary federal aid program, was enacted to assist needy students in obtaining the necessary resources to obtain an education. Insitutions should not have to be put in financial hock to insure that needy students receive their monies on a timely basis nor should needy students have to experience long delays in receiving their Pell Grants. Such a scenario occured on my campus this year.and created some major hardships for certain students.

Finally, I would like to address the issue of the Gramm-Rudman Deficit Reduction Act as it pertains to student assistance.

While allof us are aware that cuts must be made and all of us are committed to a balanced budget, measures to achieve a balanced budget must be fair and not be placed solely on the backs of domestic programs. Under Gramm-Rudman, the amount to be sequestered is split 50-50 between defense and non-defense to achieve the deficit reduction. However, since outlays for defense total almost twice the outlays for non-defense programs, domestic programs would suffer substantially greater cuts. If a sequestering order is imposed March 1, 1986 overall funding for all Title IV student aid programs with the exception of the GSL program would be reduced by approximately 4.6 percent beginning July 1, 1986. In fiscal year 1987, the percentage cut in student aid would likely be between 25 to 35 percent. If, however, revenues were increased or any other areas were reduced more, then student aid might be cut less. Even at the very best, however, all indications are that educational funding and student aid in particular, will face major dollar reductions. Thus, Gramm-Rudman would with across the board percentage reductions greatly diminish access to higher education and retraining for all but the poorest.

This being the case, it would seem imperative that additional revenues be found, revenues that would be less painful that those accruing from personal income tax. Further, cuts must be fair. We must not allow the Gramm-Rudman Act, as it is presently conceived, to keep us from moving forward on things which are critical to our country's advancement. Our national security and overall productivity will be seriously jeopardized if education is placed out of reach for many Americans.

Title II - Institutional and Program Assistance
Part E - International Education

I have taught French at Eastern Wyoming College in Torrington, Wyoming for the past six years on a part-time basis. Prior to my employment at Eastern Wyoming College, I spent four years abroad in Brussels, Belgium where I worked as a French Translator and Administrative Assistant.

The experience of living abroad made me intensely aware of how behind the U. S. is in foreign language studies. Let me give you an example. In Brussels, a city of a little over a million people, a person can study any one of 15 different languages over a six-year period of evening courses. The successful completion of this program brings a diploma which certifies written and spoken fluency in the language selected. These evening courses were offered at the very nominal cost of $12 per year. I went through the French language program and found the instruction to be excellent. As you can imagine, most people in Europe speak several languages very well. But, as in Brussels, many incentives are provided to learn several languages as well as convenient opportunities to do so.

In this country, not only are we functionally illiterate in the domaine of a second or third language, we are also abysmally unaware of other cultures and their attendant religious, political and educational institutions. Such incredible disregard for the cultures of other people has landed us in political hot water any number of times. Iran, Central America, Vietnam are but a few examples which come to mind.

It is of vital importance that we begin--in earnest--to catch up with the rest of the world in foreign language and international studies and research. To do this, however, we must have the resolve to fund programs which provide incentives for study, both here and abroad, in the areas of language and international studies and research.

We have an additional problem in that there appears to be a real shortage of qualified foreign language instructors, a situation which threatens to become worse. This shortage is aggravated by the fact that the drop-out rate of students studying foreign languages at both the high school and college level is very high.

Foreign language and cross-cultural studies should begin early in a child's educational program so that this knowledge and ability is woven into the tapestry of the child's education experience and not tacked on as a supplemental course when he/she reaches high school.

We urgently need assistance in developing workable methodologies which will greatly enhance retention. Additionally, we need ways of disseminating instructional techniques which are effective nationwide to all foreign language instructors. Grants established for language resource centers could be of great assistance in this endeavor. The inclusion of intensive summer language institutes outlined in S. 1965 would challenge both instructors and students in their language development and instruction.

Yet another area of need is in the realm of providing opportunities for instructors and students of foreign language and international studies to spend time in the country of the target language. This opportunity should be available to both undergraduates and graduates and would accomplish two things:

- students would have some exposure to daily life and culture of the country
- a period of exposure to the target culture and language would provide a high level of enthusiasm for continued study, thereby reducing attrition

Grants established for undergraduate centers as outlined in S. 1965 would create such opportunities for instructors but not undergraduate students.

Finally, many more incentives need to be provided which will promote intensive training in languages critical to the national economic and political future of the U.S.--Arabic, Chinese, Japanese and Russian to name the primary ones.

S. 1965 appears to grasp well the current needs and gaps in international education and the many programmatic changes in programs authorized suggests that there is a deep awareness and sensitivity to the need for attention to this aspect of our national well-being. Ultimately, of course, it is the level of funding which will speak the loudest.

Senator **Wallop**. Thank you.

Let me suggest to you that since I have been on the Finance Committee, one of the things that I continue to hear is best reduced to a Russell Long saying, "I won't tax thee, if you won't tax me, we'll tax that fellow behind the tree," as though nobody is going to pay these new revenues.

Frankly, it is just as much a chore raising revenue as it is reducing spending. Each alternative must be looked at equally for their effect on the economy. It is not the case that there is a big bundle of untapped money sitting around in the economy that we can go get.

Although there are moneys and revenues, I agree with you that they bring with them their own limitations, and ihibitions.

First of all, let me thank you both for the positive statements about, some of the good effects in 1965. I agree with you both on those increased loan limits, and I cannot tell you how much I agree with you, but what they are for is so that people can go to Yale, Princeton, and other schools, and it is my feeling that while that is a very nice thing to do, that is not a need that must be met.

I mean, there are educational institutions in the country which can meet those needs, but there should not be a reduction in the large percentage of other students' ability to get higher education so that we can satisfy those of you who want to go to those very nifty colleges.

My own University of Yale has so much money that it will pick up the losses of student assistance, by people who refuse to register for the draft. That is a piece of elitism, that says to me, and to our State of Wyoming, that, since the University of Wyoming does not have to do this, those who go to the University of Wyoming, can be the first to go. In the case they reinstitute the draft, and I find it as offensive as hell. But there is a curious majority on that committee that feel differently about this.

I agree with what you are saying about it being difficult to pay off.

Ms. **Moriarity**. Senator Wallop, in regard to what you just said, I spent a number of years in Europe, and in Europe, the form of education is not democratically based as it is in this country, and if we do have to make priorities, or selections as far as what kinds of funding will be available for higher education, I feel like you do, that we have to go with our mode of education here which is very democratically based.

And rather than allow some students to use more funding to go to higher costing institutions, we do have to spread that around, so that we have access for everyone.

Senator **Wallop**. It is my feeling, and I appreciate it, and I also appreciate your taking time to give us a definition. I am—one last thing, I am worried about this loan limit that keeps coming—or income limit that keeps coming up, and I sort of understand what you are saying, but what I need from you is some other way of traveling, so that we can put in the accountability that is necessary.

It picks up 98 percent, or something like that. That income level makes about 98 percent. At $30,000 makes about 98 percent eligible. You know, what we are struggling for is how do we make it accountable, and not get back into the sort of open ended thing that drove us in the first place.

Mr. **TINDALL**. Well, my interpretation of the Pell grant is not an open ended thing, with the pell grant formula. The Pell grant formula takes the family size, the number of siblings——

Senator **WALLOP**. That is right.

Mr. **TINDALL**. Therefore, use that as a measure. For example, a family of $25,000, with a family of four, and two in college, may be as well off as a family of $30,000, with six children, and two in college.

So what we are saying is do not put the dollar ceiling on Pell. What I am saying, I should say, is do not put the ceiling on, let the Pell grant formula determine that family's financial strength.

Senator **WALLOP**. Thank you, that is creative. Thank you both very much.

Mr. **TINDALL**. Thank you.

Senator **WALLOP**. Next is a panel with Dick Baker, president and executive director of the Wyoming Student Loan Corp., and Keith Ninemire, Wyoming director of the Higher Education Assistance Foundation.

Doctor Brown has come into the room, but I am going to give him a little minute yet, to organize—I am glad you were able to make it—I bet it was.

Morning.

STATEMENTS OF RICHARD M. BAKER, PRESIDENT AND EXECUTIVE DIRECTOR, WYOMING STUDENT LOAN CORP., LARAMIE, WY; AND KEITH NINEMIRE, REGIONAL DIRECTOR, HIGHER EDUCATION ASSISTANCE FOUNDATION

Mr. **BAKER**. Good morning, Senator Wallop, how are you?

Senator **WALLOP**. Fine, thank you.

Well, that is not—that is a lie. My clock is still on Geneva time. I have flown 22 hours, and an 8-hour time change, in the last 40.

Mr. **BAKER**. That is uncomfortable.

For the record, my name is Richard M. Baker. I am president and executive director for the Wyoming Student Loan Corp., which is the secondary market for the State of Wyoming for the Guaranteed Student Loan Program. During the almost 5 years that WSLC has been acquiring guaranteed student loans, the aggregate principal amount at the time of purchase has been approximately $37 million. Approximately $5 million of these loans existed in lending institution portfolios prior to their participation in our program. We purchased these loans through contracts which required the purchase price to be applied to the origination of new student loans in order to allow banks and other financial institutions to recycle the capital which they had committed to the Guaranteed Student Loan Program during our first year. The remaining loans have been acquired on a forward commitment basis allowing lending institutions to extend their participation in the GSL Program without increasing the proportion of their capital committed over the expected life of the loan. We also act as a lender of last resort in the State.

Although this hearing is speaking to the reauthorization of the Higher Education Act, a serious problem exists regarding the ability to infuse capital into the Higher Education Program through the use of the secondary market that issues tax exempt student loan revenue bonds.

Our program has been funded so far through the application of the proceeds of two issues of tax-exempt student loan revenue bonds. In common with many States' secondary markets, we were forced by the level of interest rates available to us in 1980 to issue only 3-year bonds. While payments, including special allowance payments on loans acquired from the proceeds of that first issue, were sufficient to pay bond interest and administrative costs, they were not sufficient to retire the bonds. However, we were able to refinance our loan portfolio and obtain additional funds through the issuance of 5 year bonds, which include both floating and fixed interest rates in the aggregate amount of $35 million at the end of 1982. We expect that at least one additional refunding will be necessary to achieve financing of a maturity matched by the life of the loan portfolio.

Our first bond issue represented $13.5 million, and contracts from approximately 28 lenders. By the time we had our second issue, in 1982, our loan portfolio had increased to approximately $10 million, and we had contracts for $25 million from approximately 90 lenders, including their branches.

As a nonprofit, in-State loan administrator—and we service our loans—WSLC has been able to create an excellent repayment history through this loan portfolio, and has called upon guarantees of only around 4 percent of loans, thereby avoiding significant Federal reinsurance costs.

Principal payments to be received in 1986, 1987, and 1988 are expected to be approximately $6.68 million. Wyoming Student Loan Corp. expects to apply such payments to fund approximately 25 percent of the anticipated loan acquisition demand during this period, thereby reducing the need to issue additional bonds by this amount. WSLC will need approximately an additional $20 million to finance the balance of its loan acquisition demand, and $35 million to refund its existing outstanding 1982 bonds from the proceeds of long-term bonds issued under existing tax law at the relatively low interest rates available today, and to continue applying principal payments to the acquisition of loans as received.

If we are able to do this, Wyoming Student Loan Corp. will be substantially established as a permanent source of student loan secondary market capital, capable of self-financing significant loan acquisitions. And we will be better able to issue bonds, if need be, to fund the remaining demand. I believe that the majority of State student loan programs established during the same period, assuming a prudent management, should be similarly situated.

I wish to devote the remainder of my time, therefore, Senator Wallop, to two major problems which must be remedied to achieve the above-mentioned. Both programs—both problems must be addressed if in-State nonprofit secondary markets and direct lending programs are to become permanently established.

The first is addressed in Senate bill 1965 as introduced. I strongly endorse the purpose of bill section 162. Under existing law, program operation pursuant to an approved plan for doing business is prerequisite to receipt by—from the Department of Education of special allowance payments upon loans acquired from the proceeds of tax-exempt obligations. The 1983 amendments to the Higher Education Act, however, added the substantive requirement that such plans "contain provisions designed to assure that * * * (c) The Authority will not issue obligations for amounts in excess of reasonable needs for student loan credit within the area served by the Authority, after taking into account existing sources of student loan credit in that area."

That was testimony that was given on the floor of the House, by then-Congressman Ford, as a discussion.

However, the Department of Education has elaborated on this innocuous provision, enacted entirely without debate, subsequent—and then subsequent regulations into an extraordinary system of prior Federal review of all tax-exempt State financings for this purpose.

Senator WALLOP. Can I just interrupt, ask you to collapse a little, if you can. I am going to have to require other people.

Mr. BAKER. All right.

Senator Stafford, then in the Senate Education Committee, also took criticism of the Department of Education's position on—on just putting a stranglehold on the secondary market tax-exempt financing. And he said, "shared Federal-State responsibility and local control with a minimum of Federal intrusion for the GSL program." End of quote.

I will not use this time here to further criticize or critique the Department's position, and I will not review the final regulations as came out by the Department of Education.

Let me go on to say that the provisions of H.R. 3700 which established that the approval of such plans for doing business is within the sole authority of the State Governors, upon consultation with the primary guarantee agency, establishes the House committee's dissatisfaction with the Department of Education's position on the current regulations.

We wholeheartedly endorse the position that State Governors and the guarantee agency should be the ones to determine the need within the State.

The other obstacle which I would like to mention is not currently addressed by either bill. But there has been a disturbing tendency in the tax laws relating to these programs to subject their financing to the requirements imposed upon taxable financings which benefit private for-profit or capital intensive not-for-profit entities.

Student loan revenue bonds are entirely different, but were thrown into that same category, Senator. Each loan financed by a State program saves the Federal Government money through reduced special allowance payments since the nonprofit, tax-exempt bond issuer receives a lower special allowance payment than the for-profit lender and through the decreased incidence of reinsurance costs because of our prudent management.

But I must express my fervent hope that an absence of specific consideration to the application of general tax initiatives will not undermine the effective function of these programs.

In other words, let us keep them as they are. I need not tell you how much effort has been devoted since 1976 to the development of a decentralized national system for financing which has allowed the Guaranteed Student Loan Program to become the most students' basic source of education funding.

We—I am going to skip, then, Senator. We must maintain or improve the margins we have between the interest rate payments on our bonds and administrative costs to the income we receive on the student loans.

Any reduction of the arbitrage provisions or caps placed on student loan revenue bonds or the requirement of short maturities would have an extremely detrimental effect on the Guaranteed Student Loan Program in the United States.

Since I am aware, sir, that you are a member of the Senate Finance Committee, I am asking, on behalf of all secondary markets in the United States, that you do what you can to see that the Federal—that the guaranteed student loan revenue bonds remain under the existing tax laws, and that the approval of student loan revenue bonds and the attendant plan for doing business be approved by the respective Governors of the States.

Thank you very much for the time you have given me, Senator.

[The prepared statement of Mr. Baker follows:]

TESTIMONY BEFORE THE SENATE SUB-COMMITTEE
ON EDUCATION, ARTS AND HUMANITIES

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

RICHARD M. BAKER, PRESIDENT AND EXECUTIVE DIRECTOR
WYOMING STUDENT LOAN CORPORATION
FEBRUARY 14, 1986
LARAMIE, WYOMING

Members of the Panel:

On behalf of Wyoming Student Loan Corporation, I appreciate the opportunity to testify at today's Sub-committee hearing on Reauthorization of the Higher Education Act. Last November we submitted some recommendations to Senator Wallop's office, and, have attached a summary of those recommendations to our written testimony. Since that time, we have had the opportunity to review the sub-committee print, Senate Bill 1965 "Higher Education Amendments of 1986", and wish to comment at this time on those particular proposals. Our written comments will be limited to the Guaranteed Student Loan Program (Title I, Part B of S 1965) as it affects students, lenders and the secondary markets all involved in the GSL program.

SECTION 152.

Wyoming Student Loan Corporation supports the concept of requiring all students, regardless of family income, to qualify for guaranteed students loans on the basis of financial need. In this support, we see no reason for imposing an arbitrary "cap" on a maximum family income that would be a disqualifier, in effect, for a guaranteed student loan.

SECTION 153.

Wyoming Student Loan Corporation agrees with the proposed figures for increases in loan limits. There has been no allowable increase in student borrowings since the last authorized increase in the loan program in 1972. The increased expenses and pricing of post secondary education in the last 14 years has necessitated allowing an increase in the amount a student may borrow in order to finance a portion of his or her education. We also understand the rationale for allowing for a lesser amount being borrowed for the first two years of undergraduate study as opposed to equating that amount with the $4,000 recommended for the last years of undergraduate study. Experience has shown that students who are most likely to run into financial hardship in repaying their student loan debt are those who may have dropped out before completing their degree program. Studies show that the most likelihood for dropping out occurs during the first and second years of undergraduate study.

We are concerned, and wish to state that concern here, that, in addition to allowing loan limits and aggregates to increase to individual borrowers, that the Senate take action to allow for

(a) extension of the term of repayment of a loan and

(b) consolidation of loans into one lender when there are multiple lenders involved and the aggregate warrants consolidation in order to adequately service the debt.

It is our understanding that, though not contained in S.1965, that full committee discussion of Reauthorization will involve loan consolidation and an extension of the repayment term. The single most significant action that the full Congress could make toward reducing student loan defaults would be to lengthen the amount of time a borrower has to repay his or her loan. Given the proposed aggregate borrowings of $55,000 at the proposed 10% simple interest, paid back within the current law of 10 years, the required monthly payment would be $726. A student with a bachelors degree having borrowed the aggregate of $18,000 would be required to pay $238 a month beginning six months after graduation. It is imperative that steps be taken to allow for repayment of education debt to fit adequately within a newly graduated student's budget.

Likewise, loan consolidation will also allow for easier terms on individual student borrowers. Current methods, including forbearance and reduction of payment amounts, do not adequately address the problem of working out credits with student borrowers. When multiple lenders are involved and multiple guarantors are involved, merely allowing a student to reduce payments to those lenders in many cases does nothing but service the interest on the debt. It is a "bandaid" approach to making satisfactory repayment arrangement. On the other hand, consolidation of debt and extension of repayment term administered adequately and with a uniform set of standards, will serve to the benefit of the students in meeting their repayment obligations, and to the Federal Government and guarantee agencies in reduced outlay on default claims. We strongly urge that enabling legislation for loan consolidation with an extension of repayment allow for localized flexible and responsive holders of loans so that geographical and local economic factors are taken into account for each borrower. We believe that a person's debt, regardless of the type of debt, is best served by those creditors who are aware and understanding of current economic conditions within the borrower's area.

SECTION 156.

The proposed clause Q, if not more defined, could pose problems for guarantee agencies, secondary markets and commercial lenders under the program. As stated, this clause could be interpreted to require state agencies to establish lender of last resort programs. In many states, Wyoming being one, our secondary markets have been charged with that responsibility. Other areas in other states have multiple guarantee agencies approved to operate within the state's boundaries. As this proposed language reads, each approved agency would be required to provide for a lender of last resort. In either case, whether one guarantee agency or multiple guarantee agencies in the state, if those areas in which a lender of last resort program is already established were to, because of clause Q, have a new lender of last resort designated, confusion would arise among students and schools and retail lenders. For these reasons, we propose amending clause Q to the following language:

> (Q) "when there is an absence of a proven and established lender of last resort program, provides for a lender of last resort..."

Again, our thanks to Senator Wallop and the members of the Sub-committee for the opportunity to comment and make recommendations as consideration of this Reauthorization continues.

Attachments - 1

SUMMARY OF COMMENTS
11/19/85

The Wyoming Student Loan Corporation requests consideration of the following suggestions for Reauthorization of Title IV Student Aid. These suggestions are each followed by a more detailed rationale.

1. Retain the present structure of Federal Student Aid Programs of CWSP, NDSL, SEOG, GSL/PLUS loans, and Pell Grants.

   The six Federal Aid programs have evolved in response to students' differences, needs, and more importantly, their capabilities. Not every student can expect to be able to work part time as a sole source of aid and still maintain the required academic standard for his or her particular discipline. A student at the University of Wyoming would have to work 46 hours per week at minimum wage for an entire school year (including Christmas and Easter break) in order to pay for the tuition, room, board, books, etc. for one year. Similarly, not every student should be loaded up with debt as the sole source, and, as a general rule, one should not have their college education financed entirely by grants. Hence the concept of financial aid "packages" which combine two or more of these types of aid.

   There are several reasons for retaining the existing structure and programs, as opposed to consolidating into one loan, one grant, and one work program, or into "block-grants".

   (a) The programs are uniformly administered nation-wide and
   (b) they are understood by high school counselors and college aid officers, the people that have the responsibility for advising and counseling students and parents. After several years of instruction for school officials and public information, to change now would seriously deteriorate the understanding of the programs. The plethora of different states' and schools' programs that would result from a "block-grant" program would defy effective counseling and, therefore, planning for college.
   (c) The mixture of aid programs is inherently beneficial. It allows aid officers, as near as practicable, to be flexible and to use discretion in designing an individual student's aid package, based upon that student's capabilities and need.
   (d) There have been scores of changes, modifications, both statutory and regulatory to all programs within the last three years. We believe there has not yet been adequate time elapsed to assess the beneficial impacts of those changes. The fewer changes and less "tinkering" now, the better.

2. Freeze funding for NDSL and SEOG at $200 Million each, and make those programs "exceptional need"-based.

   Return to the concept of "extreme need" with the NDSL and SEOG programs, so that these two programs are truly utilized for the neediest of students; those who but for the availability of the NDSL and SEOG would be unable to attend the institution they've selected. Limit the amounts, respectively, to no more than 25% cost of attendance, or $2,000 annually, whichever is less, require that receiving one be contingent upon the other and they must be in equal amounts, allowing for adjustments only in cases of "overaward" due to additional aid received after school has begun.

   This could conceivably meet up to 50% of a student's annual cost between the two programs, provided that student's need is great. There truly is a need for exceptional need grant and loan programs at the discretion of the financial aid officer. With much emphasis and scrutiny of GSL defaults, studies show that lower income borrowers may experience the most difficulty in repaying the higher interest rate GSL. Further, if the NDSL were restricted to first and second year students, the period in which the greatest likelihood of default occurs due to dropping out, the propensity for default on a lower balance, lower interest-rate loan can be mitigated.

   The savings in reducing the appropriations of these two programs could be added to the CWSP.

3. Increase funding for College Work-Study (CWSP) to $800 Million and eliminate funding for the SSIG program.

   Almost every post-secondary institution administers two distinct part-time student work programs. One, the CWSP, which is funded 80% Federal and 20% institutional matching funds, and the other, generically referred to as "campus-employment" is 100% institutionally funded. At the same time, most schools spend much more under the "campus-employment" than CWSP. At the University of Wyoming, for the 1985-86 academic year, the CWSP has a budget of approximately $600,000, including Federal and institutional funds. By contrast, the University has budgeted and awarded $2,500,000 in campus-employment. By increasing the schools' allocation of CWSP, the amount saved in their campus-based budgets could be used for institutional discretionary programs to replace any lost SSIG and SEOG.

   Part-time work continues in the tradition and belief of self-help for financing part of an education. There is no possibility of default, and adjustments to overawards are easily made by a reduction in hours worked.

4. Provide for GSL and student-borrowed PLUS loan consolidation by all secondary markets, with nation-wide uniform standards.

   Loan consolidation would be an extremely important step that the Congress can take toward reducing defaults and thereby reducing the $1 Billion annual Federal cost on claims. Empowering state secondary markets with the ability to consolidate multiple loans as opposed to a national consolidation program has the advantages of more effective collection efforts on a localized program, an understanding of the economic conditions within the area which facilitates working out credit equitably, and keeps money within the respective state authorities, thus enhancing revenues enabling the authorities to continue loan purchase programs without having to continually issue debt instruments.

5. Extend repayment term of GSL from the present 10 year maximum to a 25 year maximum, and allow for flexible graduated repayment.

   The single most significant action that Congress could take toward reducing defaults and costs in the GSL would be to allow extension of the time limit that a borrower has to repay the debt. As any banker, or, for that matter, consumer will tell you, the ability to repay is not so much a factor of the size of the debt but "how much are the monthly payments?". Cramming a potential GSL debt under current maximums of $25,000 into ten years means a mandatory monthly payment of $304 for 120 months, with no hope of any cessation for hardship, because the debt would not be retired in the required time period. By increasing the term of repayment, the lender can allow for graduated payment based upon the borrowers' current circumstances.

6. Keep the current 6-month grace period for all borrowers.

7. Increase annual borrowing maximums for the GSL and Parent loan programs; GSL's to $3,500/yr undergraduate to an undergrad maximum of $17,500; $7,000/yr graduate to a maximum of $21,000; for a combined indebtedness undergraduate and graduate of $38,500. For parent loans $4,500/yr to a maximum of $18,000. For the non-subsidized, auxilliary student loan, $3,500/yr undergraduate, less any GSL money borrowed up to $17,500 aggregate; and, for graduate students $4,500/yr in addition to GSL up to $18,000 aggregate.

   Our recommendations for increased loan limits are less than amounts certain to have been already presented to the Committee. The reasons for increases in the first place are the increases in costs that have occured since the last authorized increase in the loan program in 1972. We recommend somewhat less of an increase than similar proposals we've reviewed for the simple reason that by severely increasing the potential debt burden of student borrowers, (in some proposals, doubling!), the advantages to extension of repayment term and loan consolidation are mitigated.

Admittedly, a graduate student could come out of career preparation owing $56,500 in combination of the two loan programs. The importance of solid, effective loan counseling cannot be overemphasized in this regard. For the most part, borrowers of both loans to the maximums would have to expect to enter professions in which they could reasonably expect to service this debt along with the other credit obligations they will incur. Current experience tells us these people are predominantly from the medical, legal, and natural science fields.

8. Keep existing definitions, eligibility criteria, and time limits for periods of deferments, with eligibility for special allowance payments.

   During periods of deferments, the student borrower could expect to put all effort into quickly completing education, military service, etc. without worrying about servicing debt, and, lenders could still expect market return on the capital with resumption of special allowance payments for the eligible period.

9. Require a demonstration of financial need for all borrowers in order to receive subsidized loans, regardless of income, and with no "maximum" allowable income. All may be considered.

   The GSL program is indeed a need-based entitlement program. Require any subsidized loan applicant to have his/her eligibility for a PELL Grant determined before receiving GSL loan proceeds.

10. Reduce paperwork and overhead costs associated with all programs for schools and lenders. This can allow school officials more time for counseling students and individualizing aid packages, and will allow lenders more time for pre-loan and debt management counseling.

    Reducing paperwork, (and, therefore, costs) to lenders and schools includes establishing reasonable guidelines for verification of student aid application information, reporting requirements, and a myriad of other regulatory provisions that have served to force school financial aid officers spending excessive time on matters other than counseling students, individualizing aid packages, and managing and directing funds to those who need them.

Senator **Wallop**. Before I go to Keith, let me just ask you, I assume that your bond market is being badly hit by the effective State requirements, and other things in the House-passed tax reform bills.

Mr. **Baker**. No, the effective date requirement, fortunately, has not hit us in the same cycle as they have most. We were very fortunate that there was a window in the bond market, that we were able to go into a 5-year program, instead of a 3-year cycle, so we still have another year and a half before we have to issue new bonds.

So if the Senate and the House do keep us in the existing tax posture, we will be able to plan for our new bond issue this year; so we can do it in 1986.

Senator **Wallop**. But as I understand it, the way the House-passed bill is at this point, you are sort of lumped together with industrial revenue bonds.

Mr. **Baker**. Nongovernmental, nonessential qualified bonds, and I have no idea of what the definition of that is, because it is not described precisely in the regulation——

Senator **Wallop**. Fancy that.

Mr. **Baker**. You have heard that one before; I think we have all heard that one before.

Anyway, I hate to look in the mirror when I call myself a nonessential, nonqualified—you know, what is that company doing with $37 million.

Senator **Wallop**. Keith, please.

Mr. **Ninemire**. Thank you for inviting this testimony.

The subcommittee is to be commended for its efforts to develop constructive reauthorization legislation in a difficult environment. Preserving critical postsecondary education programs in the context of the budget deficit is a challenge, and we appreciate the positive contribution of this subcommittee.

I represent the Higher Education Assistance Foundation, which serves as the designated agency for the Federal Guaranteed Student Loan Program in Wyoming. The foundation also serves as the designated guarantee agency in five other States, and guarantees loans on a nationwide basis, including special programs for targeted populations, such as the one for students attending colleges affiliated with the United Negro College Fund. Given my affiliation with the foundation, and the role of the foundation in making guaranteed student loans available to Wyoming students, my comments will be limited to the reauthorization bill and other related legislation as it affects student loans.

Because of our responsibility for student loans in Wyoming, we have been glad to observe Senator Wallop's contributions to formulating the subcommittee bill, particularly your support for eliminating provisions from the original draft, which would have inhibited and restricted interstate activity by both lenders and guarantors of loans.

The need for multistate guarantee capacity is increasing, not decreasing. We are grateful for Senator Wallop's enlightened position, and your contribution to elimination of restrictive language from the original subcommittee draft. We understand that an effort will be made to insert restrictions in the bill in the full committee. We trust that Senator Wallop and most of the members of the committee will continue to resist any such efforts, forcefully.

In many respects, the bill passed by the subcommittee is consistent with our views on how changes to the program should be approached. For example, by raising loan limits, while also increasing the interest rate, the bill is consistent with our view that it is better to make essential funds available to students at a higher cost, than to deny students the opportunity to borrow in adequate amounts to meet his or her needs.

As might be expected, we are troubled by the impact of the combination of pending bills. For example, the subcommittee reauthorization bill reduces the special allowance paid to lenders so that the yield to the lender drops from the 91-day T-bill rate, plus 3½ percent to the T-bill, plus 3¼.

Under Gramm-Rudman, the existing yield would be reduced T-bill plus 3½ to T-bill plus 3.10, but if the reduced yield provided in the subcommittee reauthorization bill were in effect, the yield under Gramm-Rudman would drop to T-bill plus 3.

This matter is exacerbated further by the pending reconciliation bill which would require lenders to disburse student loans multiply. As you know, existing law gives lenders the option of single or multiple disbursements with a financial incentive to the lender for disbursing multiply. The increased cost of multiple disbursements without the financial incentive will further reduce the net yield to the lender to the point that, when combined with reductions in special allowance under both reauthorization and Gramm-Rudman, could seriously impact lender participation, and, hence, the accessibility of loans for students.

We have taken the position that reducing subsidies to guarantee agencies would be preferable to reducting subsidies to lenders. We do not believe that the 1 percent of volume administrative cost allowance currently authorized for guarantee agencies is essential. Although not addressed in the reauthorization bill, the pending reconciliation bill would force payment of the administrative cost allowance by making it an entitlement rather than a discretionary payment. The reconciliation bill does provide for the return of reserve advances previously granted to guarantee agencies. We have no difficulty with this cost-saving measure and, in fact, the Higher Education Assistance Foundation voluntarily returned the $10.8 million in its reserve advances back in 1983.

The subcommittee reauthorization bill unnecessarily restricts the guarantee fee charged to students to 1 percent of the principal amount of the loan. The most common guarantee fee charged currently is 1 percent of the principal amount of the loan, times the number of years the loan is insured while the student is in school. On the average, this yields about 2.5 percent of the loan principal. The foundation's guarantee fee is based on the in-school years, but is calculated at the rate of three-quarters of 1 percent, which yields about 1.9 percent of principal.

The reduced limitation on the guarantee fee perhaps is viewed by the committee as a partial offset to raising the interest rate to 10 percent. The fact is that the reduction in charge to the student of 1 to 1½ percent over the life of the loan is so small compared with the increase of two percentage points charged annually as not to be significant to the student.

On the other hand, a reduced limitation on the charge could have a serious effect on the ability of student loan organizations to function effectively, and to provide good serivce to students.

The guaranteed student loan program serves this Nation remarkably well. It gives students the opportunity to become more productive citizens by pursuing postsecondary education, and it gives them the capacity to assume responsibility for paying for their own education expenses from future earnings. For such a massive program, it functions quite smoothly, and represents an exemplary partnership between the Federal Government and the private sector, providing private capital to meet the public purposes of education. The program is too important and too sound not to be continued, and we appreciate the subcommittee's efforts to assure reauthorization.

Thank you.

[The prepared statement of Mr. Ninemire follows:]

STATEMENT
TO THE
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
UNITED STATES SENATE

Laramie, Wyoming

February 13, 1986

Presented by:

Keith Ninemire
Regional Director
Higher Education Assistance Foundation

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting this testimony. The Subcommittee is to be commended for its efforts to develop constructive reauthorization legislation in a difficult environment. Preserving critical postsecondary education programs in the context of the budget deficit is a challenge, and we appreciate the positive contribution of the Subcommittee.

I represent the Higher Education Assistance Foundation, which serves as the designated guarantee agency for the federal Guaranteed Student Loan Program in Wyoming. The Foundation also serves as the designated guarantee agency in five other states and guarantees loans on a nationwide basis, including special programs for targetted populations, such as one for students attending colleges affiliated with the United Negro College Fund, and one for the population served for the League of United Latin American Citizens. My own responsibility is directing the activities and affairs of the Foundation office located in Cheyenne. Given my affiliation with the Foundation and the role of the Foundation in making guaranteed student loans available to Wyoming students, my comments will be limited to the reauthorization bill and other related legislation as it affects student loans.

Because of our responsibility for student loans in Wyoming, we have been glad to observe Senator Wallop's contributions to formulating the Subcommittee bill, particularly his support for eliminating provisions from the original draft which would have inhibited and restricted interstate activity by both lenders and guarantors of loans. Availability of multi-state lenders and guarantors has stimulated important improvements to the Program and its capacity to meet needs of students effectively. Moreover, the Guaranteed Student Loan Program cannot achieve its future potential without multi-state guarantors and lenders. The financial services industry is changing rapidly and financial services, including student loans, are already being provided across state lines. Effectiveness of the student loan program simply cannot be maintained unless the program is structured consistently with the way in which financial services will be provided in the future.

The need for multi-state guarantee capacity is increasing, not decreasing. We are grateful for Senator Wallop's enlightened position and his contribution to elimination of restrictive language from the original Subcommittee draft. We understand that an effort will be made to insert restrictions in the bill in the full Committee. We trust that Senator Wallop and most members of the Committee will continue to resist any such efforts forcefully.

In many respects, the bill passed by the Subcommittee is consistent with our view of how changes to the program should be approached. For example, by raising loan limits while also increasing the interest rate, the bill is consistent with our view that it is better to make essential funds available to the student at a higher cost than to deny the student opportunity to borrow in adequate amounts to meet his or her needs.

As might be expected, we are troubled by the impact of the combination of pending bills. For example, the Subcommittee reauthorization bill reduces the special allowance paid to lenders so that the yield to the lender drops from the ninety-one day T-Bill rate plus 3.5 percent to T-Bill plus 3.25. Under Gramm-Rudman, the existing yield would be reduced from T-Bill plus 3.5 to T-Bill plus 3.10, but if the reduced yield provided in the Subcommittee reauthorization bill were in effect, the yield under Gramm-Rudman would drop to T-Bill plus 3.0. While one of those two changes may not be disastrous, the combination of the reduction in the reauthorization bill plus the Gramm-Rudman reduction is troublesome, indeed.

how does this
1/4 % drop matter
in Wyoming -

The matter is exacerbated further by the pending reconciliation bill which would require lenders to disburse student loans multiply. As you know, existing law gives lenders the option of single or multiple disbursements with a financial incentive to the lender for disbursing multiply. The increased cost of multiple disbursements without the financial incentive will further reduce the net yield (gross yield minus costs) to the lender to the point that, when combined with reductions in special allowance under both reauthorization and Gramm-Rudman, could seriously impact lender participation, and, hence, accessibility of loans for students.

We have taken the position that reducing subsidies to guarantee agencies would be preferable to reducing subsidies to lenders. We do not believe that the 1 percent of volume Administrative Cost Allowance currently authorized for guarantee agencies is essential. Although not addressed in the reauthorization bill, the pending reconciliation bill would force payment of the Administrative Cost Allowance by making it an entitlement rather than a discretionary payment. The reconciliation bill does provide for return of reserve advances previously granted to guarantee agencies. We have no difficulty with this cost-saving measure and, in fact, the Higher Education Assistance Foundation voluntarily returned the $10.8 million in reserve advances which it had received back in 1983.

The Subcommittee reauthorization bill unnecessarily restricts the guarantee fee charged to students to 1 percent of the principal amount of the loan. The most common guarantee fee charged currently is 1 percent of the principal amount of the loan times the number of years the loan is insured while the student is in school. On the average, this yields about 2.5 percent of loan principal. The Foundation's guarantee fee is based on the in-school years but is calculated at the rate of 3/4 of 1 percent, which yields about 1.9 percent of principal.

The reduced limitation on the guarantee fee perhaps is viewed by the Committee as a partial offset to raising the interest rate to 10%. The fact is that the reduction in charge to the student of 1 to 1-1/2 percent over the life of the loan is so small compared with the increase of 2 percentage points charged annually as not to be significant to the student. On the other hand, a reduced limitation on the charge could have a serious effect on the ability of student loan organizations to function effectively and to provide good service to students.

economic facts from the borrowers end.

The Guaranteed Student Loan Program serves this nation remarkably well. It gives students the opportunity to be more productive citizens by pursuing postsecondary education and it gives them the capacity to assume responsibility for paying for their own education expenses from future earnings. For such a massive program, it functions quite smoothly and represents an exemplary partnership between the federal government and the private sector, providing private capital to meet the public purposes of education. The program is too important and too sound not to be continued, and we appreciate the Subcommittee's efforts to assure reauthorization.

Senator **Wallop**. Thank you very much.

I particularly liked that little piece of advice that you give on page 3, about the—when you say, "the fact is that the reduction in charge to the student of 1 to 1½ percent over the life of the loan is so small compared with the increase of 2 percentage points charged annually as not to be significant to the student."

One of the great problems that we have, and in drafting legislation, getting people to consider it, is finding anybody who has ever been in the real world, you know. I mean, it is just one of the—one of the types that is not numerous around there, and this kind of testimony is helpful.

Could you comment to me what the quarter percent drop from 3½ T-bill plus 3½ T-bill plus 3¼ would translate in Wyoming?

What—give me sort of a contemplated effect by it.

Mr. **Ninemire**. I can give you what our volume of loans last year was, $13.5 million in Wyoming, so this could translate to—I can get those figures for you later——

Senator **Wallop**. I am not so concerned about the dollar figures, because I can figure that on a calculator. I am just wondering what the effect is among lenders, and other——

Mr. **Ninemire**. In Wyoming we have very—many lenders who are from very small financial institutions, and for many lenders to make a profit on the student loans, they have to do a volume. And so many lenders, when they receive a cut like this, they decide now is the time to withdarw from the program. And let your——

Senator **Wallop**. Do your have any idea how big?

Mr. **Ninemire**. How big an increase?

Senator **Wallop**. That problem.

Mr. **Ninemire**. I have no firm idea at this time, possibly 20 lenders out of the 80 lenders may withdraw from the program.

Senator **Wallop**. Thank you very much. I appreciate it. This is highly useful information for us.

Dr. Brown, you have sufficiently recovered from the road, from Rawlings. From what I heard this morning, that was a pretty interesting piece of travel.

STATEMENT OF DR. TERRANCE BROWN, PRESIDENT, WESTERN WYOMING COLLEGE

Mr. **Brown**. Yes, I had my first experience of traveling on Highway 30, so I got to see another part of Wyoming, in my first 8 months.

Senator **Wallop**. I am glad you are here it safety.

Mr. **Brown**. I have some comments, and I will have to apologize, I will mail those to you, after we get through.

Senator **Wallop**. By all means, we will accept testimony, what is it, 10?

Mr. **Hone**. Yeah. But they also have to write up the whole paper, so it may be longer than that, but the average, 10 days.

Senator **Wallop**. They have 10 days.

Mr. **Brown**. I am Terry Brown, president of Western Wyoming Community College, and I appreciate you being here, sir, during the recess, and glad that you are joining us during Community College Month that has been so designated by President Reagan. This is our Community College Week in the State of Wyoming, designated by the Governor, so very pleased to have you here.

A little background on my concerns. I started in higher education in 1967, as Director of Financial Aids. Not too many of us survived long enough to stay in higher education, or become a Community College president ultimately, so I am one of the survivors.

In 1971 I became president of Western Association Student Financial Aid Administrators. At that time, we were looking at things like financial aid and Federal assistance as necessary evils. And we have now developed, during that time, where financial aid is an absolute necessity in higher education in order to promote the ideals of the United States.

One of my experiences that I had early in financial aid was to be on a committee that originated the Pell grant proposals. This was at the time when the EOG Program was operating, and at that time we were even authorized to overaward.

In 1968, for example, if a sudent was in the top 10 percent of the class, and received financial aid, he/she got an extra $200. Today, we have to repay that, if that still existed. And I still can recollect the national direct student loan program that was the National Defense Education Act.

I would like to present a little highlight, if I may, about western Wyoming, so that you can see the impact. During this year, we will serve in excess of 9,000 students, accumulating approximately 1,300 FUD's. Over 400 students this year alone are on some type of financial assistance, in excess of a $500,000, from Federal and institutional resources.

Our population this year has changed dramatically, in that 62 percent of our students are now females, with the average age of the female is 31. The average age on campus is 28.4, and increasing in age.

We expect our enrollment to double over the next 3 years, because we are right in the middle of a $63 million expansion program. And I point that out to you, because this will mean that there will be more needs in the State of Wyoming.

At the current time, even though we are awarding approximately $500,000 to all sources, the unmet needs at Western Wyoming College are approximately $250,000. So there is still quite a bit of need.

I would like to commend you, Senator Wallop, and the others, on the reauthorization bill. I think it is outstanding that we are taking postures at this time to extend the Pell grants, at least through 1991, and increasing the amount of dollars, to recognize the increased costs of higher education.

I am also glad to see that child care is included. In community colleges, this has been quite an issue—I commend you also in extending the SEOG's through 1991, up to $3,000.

I also found it fitting to extend State aid—and send it over the next 5 years. I feel this causes the State to become more involved in very active programs.

I also commend you in concerns of loan limits being increased, and the college work study where we have the community service, which will allow our students to get out in the community as part of their financial aid.

I was also pleased, because as we have developed instructions, and other library assistance, is just as critical to quality education as other features of higher education.

Under title VIII, to developing institutions, I particularly am pleased to see it, including community colleges, as we are institutions in higher education.

And in title II, part G, cooperative education, again speaks very clearly to the needs of getting involved with community, and providing technical and training skills to our students.

I was also pleased that our title II, part I, FIPSE, I have had experience in the past, I have found this to be a very effective program.

Again, I commend you and your group for the work in the FIPSE Program, and to particularly involve the innovative community service project.

I would like to express a concern with regard to college work study. I have particular feelings with regard to college work study, in that it is a job for a student, and not a loan. I am concerned that over the years the students are accumulating high loans, and this is creating problems with some repayments.

So I would hope that we might address, over the future, additional funding in college work study. I am also concerned about combining the SEOG and the college work study with an apparent loss of about $1 billion to approximately $400 million.

I think these areas are very excellent, particularly with community colleges, in that we have jobs we like to work in community-based agencies, and have our students get practical training.

A few other concerns to express to you. One would be the interest rate increase in the GSL. I would recognize that that could be a future problem to some students that are already in debt.

The Pell grants maximum income of $30,000, well, it may appear to be high. I have reviewed, recently, some applications, with families, and I had concerns that that limit may leave some people out who would need some assistance.

I am also concerned with the financial need of the adult learner. While you have been addressing this, and I think very remarkably, and very positively, I think over the years you must address it a bit more.

The adult learners in community colleges are becoming increasingly more evident, and they are expressing more needs.

I am also very concerned about the effect of the Gramm—Rudman bill. I would hope that you would, and the others, would hold firm, so that we would have some commitment of dollars, and some idea of consistency over the years.

I am also concerned about remediation programs, and the ability of some students to obtain financial aid during part of their remediation. I realize that these things have to be addressed.

I recognize that we cannot have students staying in remediation programs for their entire college career. But I also feel that some of the approaches that colleges have been taking, that is, to have placement tests before a student is allowed to take classes, provides us a plan for a student to be successful, In many cases it is difficult to provide that necessary financial aid and extend their learning period over longer than a period of learning.

Basically, I commend you, sir, on your efforts on behalf of higher education. As a college president, we are now very concerned with student financial aid. We recognize it as a very, very vital and important project for all the campuses, and particularly for students of all ages that we are trying to serve.

I appreciate your interest in the program, in being here today, to hear our concerns.

Thank you.

Senator Wallop. Thank you, Dr. Brown.

As others who have come before you have pointed out, the problems of community college student population demographics, with increasing numbers of women, of ages beyond the qualifying ages, under this single parent family. I have not gottan any—either promises of solutions to offer today, except that I appreciate this has been the third or fourth piece of testimony that we have had on it.

And it strikes me as a useful thing to bring back and try to address before we finish mark up on this bill. I am not quite sure how we do it, but I think we can improve the circumstances which all of you have pointed out.

Dr. Brown. It is a deep concern for all of us, that 62 percent is such a significant increase over the last 3 or 4 years.

For example, in our new Green River Center, we have established the child care facility at 75 slots. By the end of this year, every one of those slots will be occupied. So I think that that clearly indicates the direction of society.

We find that the females that return, we call them the DAR's, the dam average raisers. They get back in class, they have one semester under their belt, and they take off, and their GPA's are far better than the average student. So they are successful, they are reentering the world.

Senator Wallop. Well Kathy Moriarity, before you made mention of the problem with food stamps, and other public assistance. Fortunately, the food stamp is out of the reach of this committee, because it was in the Agriculture. It was a tiny move in that direction, in the farm bill that passed this year, and perhaps that will be of some help.

It is—it is not a habit of the Government to be particularly efficient, either. It is the Federal level, or the executive branch, or the legislative branch.

Our committee structure does not admit to putting together a whole package easily, and the government does not admit to the administration of a whole package if we were able to very easily. But I think it is nice to hear it and give us the means by which we can try to address it. From the standpoint of certain understanding on the grounds of events that occur in a state like Wyoming.

I appreciate your coming over today, the efforts I know you took today.

Mr. Brown. I also appreciate your interest in looking into the aspect of food stamps, child care and the conflicting things that happen when females try to return or single parents, I should leave it that way. Because in one case they are allowed to have certain eligibilities and taken away on the other side. It does create real problems and is very difficult for them to understand.

Senator WALLOP. One last thing, and I mentioned it to Dr. Veal from when he was here, but while I appreciate very much your desire for some predictability in coming years in funding, my suggestion to him was, and to all educators in here, is that you try to work with the legislator and the governor in this State to establish some sort of trigger mechanism which will assure consistency or the State would pick up some level of effort that might be dropped from the Federal level.

I am not certain how things are going to go for the next couple of years, as badly as I would like to guarantee you that I would be there, I do not think I can. I do not think I know how. I do not know what Congress is going to do. It is conceivable that it will be viewed as one of the priorities that needed increased funding. It is conceivable that it would stay level; it is less conceivable, but it is not impossible that it would be reduced any further than it has. So we go on, and I am sorry about that, but I think that is a realistic appraisal of what you have to look at and what I can guarantee at this point other than to try to maintain some predictability.

There is literally no guarantee. When the Government starts setting events, while trying to put its economic house in order.

Mr. BROWN. I appreciate that, but I also understand that you will be in the logging force so that——

Senator WALLOP. I will do that. Thank you very much for coming down.

Now, we have Mr. Fuji Adachi who is chairman of Student Educational Opportunity, with a student. I hope you will identify yourself for the reporter. And Sharon Anderson, Director of Educational Talent Search.

STATEMENT OF FUJI ADACHI, DIRECTOR FOR THE DIVISION OF STUDENT EDUCATIONAL OPPORTUNITY; SHARON ANDERSON, PROJECT DIRECTOR, EDUCATIONAL TALENT SEARCH, STUDENT EDUCATIONAL OPPORTUNITY; ACCOMPANIED BY MARIO MUNOZ, STUDENT, LARAMIE HIGH SCHOOL

Mr. ADACHI. Good morning. We have heard institutional cries, and agency cries, program cries, and even some defensive cries, here today. We are going to add one more cry to all of these cries, a human cry.

Our purpose in presenting before you today is that we want to speak specifically about the trio programs, which are included within title IV of the current law. We have four objectives. The first objective is to make specific recommendations in terms of the current legislation.

We will not get to those specific recommendations, since our recommendations are pretty well articulated within the documents that we have provided to you and too complex to cover in the short time allotted.

You have many programs to understand and figure out exactly how the money is being used, and so we feel that possibly trio has not been at the forefront or at the top of your priority list of programs to really scrutinize and figure out what they are doing. So for our second and third objective we want to take this opportunity to explain what trio programs are all about, as well as informing you about the impact of those programs in Wyoming specifically.

For our fourth objective, we want to talk about, is the effects of the across-the-board strategy to make up the deficit and specific effects on the trio programs, and financial aid programs.

Mr. ADACHI. We start out with Sharon Anderson who is the project director for the talent search and upward bound programs. Continue with Mario here, who will talk about the Upward Bound Program, and what the program has meant to him personally. I will conclude with remarks concerning the Special Services Program.

[The prepared statement of Mr. Adachi follows:]

ADULT RE-ENTRY CENTER
EDUCATIONAL TALENT SEARCH
HANDICAPPED STUDENT SERVICES
HIGHER EDUCATION PROJECT
INDIAN EDUCATION OFFICE
LEARNING DISABILITIES RESOURCE OFFICE
MINORITY AFFAIRS OFFICE
MULTI CULTURAL RESOURCE CENTER
SPECIAL SERVICES PROJECT
VIETNAM VETERANS OUTREACH OFFICE
WYOMING CAREER INFORMATION SYSTEM

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STATEMENT BY FUJI ADACHI

Mr. Chairman:

Thank you for the opportunity to offer my comments on the reauthorization of the Higher Education Act of 1965. I participated in the process to develop the Education Amendments of 1980; and I consider it an honor to be invited to comment on this important piece of legislation. My name is Fuji Adachi, Director for the Division of Student Educational Opportunity at the University of Wyoming. The Division of Student Education Opportunity serves the special and unique populations including the physically handicapped, learning disabled, adult learners, first generation college, economically disadvantaged, ethnic minority and Vietnam Era Veteran students.

My testimony today has two purposes. First to make specific recommendations for the authorizing language for TRIO programs, and to inform you of the impact that one of these programs has had on many students at the University of Wyoming. This program is called Special Services for Disadvantaged Students. The purpose of the Special Services project, as it is commonly referred to, is to increase the retention and graduation rates of first generation college (neither parent has graduated from college), physically and learning disabled, and economically disadvantaged students who are enrolled at the University of Wyoming. Below is a listing of the number of students served by the University of Wyoming Special

The University of Wyoming is an equal opportunity/affirmative action institution.

Services project during the last three years, by eligibility criteria.

Eligibility Criteria	1982-83	1983-84	1984-85
1) Low Income and First Generation College and Physically Handicapped	30	10	13
2) Low Income and Physically Handicapped	11	3	2
3) Low Income and First Generation College	101	118	121
4) First Generation College and Physically Handicapped	18	8	9
5) Low Income Only	40	7	15
6) First Generation College Only	26	3	24
7) Physically Handicapped Only	45	98	111
Totals	271	247	295

The chart below lists the retention and graduation figures for the Special Services project during the last three years.

	1982-83	1983-84	1984-85
Retained Students	206(84%)	172(83%)	195(81%)
Student Attrition	39(16%)	35(17%)	45(19%)
Graduates	26	40	55
Totals	271	247	295

The University of Wyoming Dean of Students Office performed a five year study which indicated that the University of Wyoming's attrition rate exceeds 40%. Although Special Services works with the highest risk students on campus, the project has reduced the attrition rate for its students from the University average of 40%

to an average of 17% over the last three years. Even more commendable, of that 17%, less than two percent (2%) has been due to academic suspension. The other 15% attrition has been a result of death, health problems, transfer to another college or university, or personal problems. Graduation rates for the University of Wyoming are not available, hence no direct conclusions can be made concerning the impact of the Special Services project on the graduation rate. The chart below indicates the quality of retention for Special Services students, which also supports the assumption about the increase in graduation rate.

	1982-83	1983-84	1984-85
Average GPA for Project	2.51	2.61	2.52
Average Credit Hours Earned	12.1	12.1	12.2

The GPA for Special Service students is below the University of Wyoming average GPA of 2.76. This is to be expected since Special Service students typically have low GPAs during their freshman and sophomore year because they have poor academic backgrounds. By the time they are juniors and seniors they are performing as well as most students at the University of Wyoming, many of them receiving academic scholarships and being named to Dean's lists.

The credit hours earned for Special Services students is below the University of Wyoming average of 13.6 credit hours earned. However, attempting fewer credit hours during their early semesters is recommended for the academically underprepared and returning adult students in the project.

The University of Wyoming Alumni Office and the University of Wyoming Placement Office report that 9.6% of the University of

Wyoming graduates pursue graduate or professional degrees. In contrast, 20.3% of the Special Services graduates pursue graduate or professional degrees. The concentrated effort placed on goal setting and career exploration by Special Services certainly contributes to this remarkably high percentage rate (20.3%) as compared to the University of Wyoming percentage rate (9.6%).

The University of Wyoming Special Services project has not only increased the retention and graduation rates of the first generation college, physically and learning disabled, and economically disadvantaged students at the University of Wyoming; but Special Services has also increased the enrollment of these students into graduate and professional programs. The Special Services project protects the federal investment in student financial aid by ensuring that students on financial aid have the necessary academic support systems and assistance to make satisfactory progress to succeed at this institution.

My recommendations for the reauthorization are as follows:

a) Prior Experience - Section 417A(b) (2) (Title IV of Current Law)

Present Language: In making grants and contracts under this subpart, the Secretary shall consider the prior experience of service delivery under the particular program for which funds are sought by each applicant.

Recommended Language: In making grants and contracts under this subpart, the Secretary shall give the applicant's prior experience of service delivery under the particular program for which funds are sought a weighting of at least 13%.

Rationale: Since FY 1982 when it implemented the Education Amendments of 1980, the Department of Education has given prior experience a 13% weighting (15 points of 115) in making funding determinations for TRIO. In FY 1982 and FY 1983, this resulted in a situation where 88% to 90% of the projects funded were at institutions which previously had sponsored TRIO projects, and 10% to 12% of the projects funded were at institutions not previously funded. This appears to be an appropriate balance which assures continuity in services to students while providing a mechanism to discontinue projects which are not providing effective services. The intent of this recommendation is to codify present practice.

b) Allowable Activities under Staff Development - Section 417F (Title IV of Current Law).

Present Language: Such training shall include conferences, internships, seminars, and workshops designed to improve the operation of such programs and projects...

Recommended Language: Such training shall include conferences, internships, seminars, workshops, and the publication and dissemination of manuals to improve the operation of such programs and projects...

Rationale: Much valuable training could be provided TRIO staff members through written materials, whether developed specifically for conferences, seminars, or workshops, or developed independently of such events. This language would make their publication an allowable activity under the Subpart.

This concludes my presentation. Thank you again for the honor of presenting my views to you this morning. I hope they will be of some use in formulating this important piece of legislation.

Ms. **Anderson**. Mr. Chairman, thank you for the opportunity to offer my comments concerning the reauthorization of the Higher Education Act of 1965. I am the project director for the talent search and upward bound programs at the University of Wyoming. These are two programs commonly referred to as trio programs.

My testimony today is twofold. First, I want to inform you of the major impact that these two trio programs have had in the State of Wyoming. Second, to make specific recommendations in the authorization language for trio programs.

The purpose of the talent search project, is to, one, identify and assist first generation college and economically disadvantaged youth and adults, to graduate from high school. If you will refer to page 3 of my written testimony, you will read that the high school dropout rate for talent search over the last few years is less than 1 percent. This is truly a remarkable accomplishment when you compare this to the Wyoming high school dropout rate, which is 19.43 percent.

The second purpose of talent search is to identify and assist this same disadvantaged clientele who are college eligible students into postsecondary institutions.

Again, if you will refer to page 2 of my written testimony, you will note that talent search placed an average of 48 percent of the college eligible clientele into postsecondary education in 1982-83, 60 percent in 1983-84; 58 percent in 1984-85. Our lowest rate was 48 percent in 1982-83, but even this 48 percent rate is higher than the Wyoming high school placement for seniors which is 37.88 percent.

Over the last 3 years, talent search has averaged a placement rate of 54 percent for all college eligible clients. This is a remarkable accomplishment, considering the population we work with.

The purpose of the second trio program, upward bound, is to first increase the high school retention rate of the first generation college and economically disadvantaged student. On page 4 of my written testimony, the table indicates that upward bound has had a zero dropout rate for the last 3 years. This is quite extraordinary since, again, the dropout rate for Wyoming high school students is 19.43 percent. Typically, the upward bound target population is the student who drops out.

The second purpose of upward bound is to increase the graduation rate of the first generation college and economically disadvantaged high school student.

Again, referring to the upward bound zero dropout rate for high school students, this demonstrates that we graduate 100 percent of our seniors. This cannot be said for the Wyoming high school students and high schools since their dropout rate is 19.43 percent, which would indicate a possible 80.57 percent graduation rate.

Third, the purpose of upward bound is to increase the placement rate of this same clientele into college. Once again, referring to page 4, you will note that over the last 3 years, upward bound has placed 71 percent of our graduating seniors into postsecondary education. This placement rate of 71 percent is almost double that of Wyoming high school senior placement rate of 37.88 percent.

In summary, the talent search and upward bound projects have increased the high school retention rate and graduation rate and increased the postsecondary enrollment rate of the first generation college and economically disadvantaged youth in Wyoming.

Surely, talent search and upward bound has been accountable in using Federal dollars. Talent search and upward bound projects protect the Federal investment in student financial aid by ensuring that students who have the academic potential to undertake a program of postsecondary education apply to college and obtain student financial aid.

Studies indicate that the educational investment for first generation college and economically disadvantaged students benefit society in two ways. First, the return on the investment is more than returned in taxes on increased earnings from those students. Second, the investment reverses the pattern of this population to drain Federal and state coffers by becoming welfare recipients.

I want to address one specific item in the present language for the authorization of trio programs. The present language reads "for the purpose of making grants and contracts under the subpart, there are authorized to be appropriated $400 million for the fiscal year of 1988 and such sums as being necessary for each of the succeeding fiscal years ending prior to October 1, 1984."

I would recommend this language. For the purpose of making grants and contracts under this subpart, there are authorized to be appropriated $400 million for the fiscal year of 1988, $450 million for the fiscal year of 1989, $500 million for fiscal year 1990, $550 million for fiscal year 1991, and such sums necessary for fiscal year 1992.

The rationale behind this is. Presently, fewer than 10 percent of the low income, first generation college and physically handicapped individuals eligible for trio programs received these services. The recommended language would allow approximately 900,000 eligible youths and adults to receive services in fiscal year 1986 and subsequent years, a figure which remains substantially less than 20 percent of the eligible population.

A maintenance factor of 9 percent is used in fiscal year subsequent to 1986 to assure that services are not eroded by inflation. This factor is based on the changes in the consumer price index between January 1, 1980, and January 1, 1983.

In summary, sir, I would like to make the personal statement that I have worked with upward bound and talent search for 5 years. I grew up in an environment where I knew I was going to go to college and it was expected I had the financial and emotional support of my parents. I have worked with students time and time again, over the last 5 years who have not had the same opportunity. Before my work with those students. I would not have believed that all other students did not have the same opportunities as I had. I truly believe that both our programs are very worthy of our Federal dollars and use those dollars for which they were intended. I would like to thank you for this opportunity to testify before you.

[The prepared statement of Ms. Anderson follows:]

ADULT RE-ENTRY CENTER
EDUCATIONAL TALENT SEARCH
HANDICAPPED STUDENT SERVICES
HIGHER EDUCATION PROJECT
INDIAN EDUCATION OFFICE
LEARNING DISABILITIES RESOURCE OFFICE
MINORITY AFFAIRS OFFICE
MULTI CULTURAL RESOURCE CENTER
SPECIAL SERVICES PROJECT
VIETNAM VETERANS OUTREACH OFFICE
WYOMING CAREER INFORMATION SYSTEM

THE UNIVERSITY OF WYOMING
DIVISION OF STUDENT EDUCATIONAL OPPORTUNITY
UNIVERSITY STATION, BOX 3808
LARAMIE, WYOMING 82071
Phone (307) 766-6189 TDD 766-6523

STATEMENT BY SHARON ANDERSON

Mr. Chairman:

Thank you for the opportunity to offer comments concerning the reauthorization of the Higher Education Act of 1965. My name is Sharon Anderson, Project Director for the Educational Talent Search and Upward Bound Programs. These are two of the programs commonly referred to as TRIO programs.

My testimony today is in part to make specific recommendations in the authorizing language for TRIO programs and, to inform you of the impact these programs have had in the State of Wyoming.

The purpose of the Educational Talent Search project is to identify and assist first generation college, and economically disadvantaged youth and adults, to graduate or re-enroll in high school and to enroll college-ready students into postsecondary institutions. Below is a listing of the number of clients served by the University of Wyoming Educational Talent Search pProject in the last three years, by eligibility criteria.

Eligibility Criteria	1982-83	1983-84	1984-85
Low Income and First Generation College	554	611	660
Low Income Only	73	60	71
First Generation College Only	158	156	103
Totals	785	827	834

The University of Wyoming is an equal opportunity/affirmative action institution.

The chart below lists the number of Educational Talent Search clients who are college-eligible, or the aggregate of clients who have just graduated from high school, stopped out of college, or delayed entry into college.

College-Eligible Clients	1982-83	1983-84	1984-85
Recent High School Graduates	204	193	74
Placed in College	117(57%)	116(60%)	37(50%)
College Stop Outs	97	48	15
Placed in College	38(39%)	30(63%)	12(80%)
Delayed College	191	156	148
Placed in College	79(41%)	94(60%)	89(60%)
Total College-Eligible	492	397	237
Total Placed in College	234(48%)	240(60%)	138(58%)

Over the last three years the Educational Talent Search project has placed 54% of its college-eligible clients into postsecondary education. This is quite high when compared to a 37.88% placement rate for high all school seniors (Source: UW Registration and Records, survey of 74 Wyoming High Schools, May 1979 Graduating Class Follow-up Study May 1980). The 54% placement rate for Educational Talent Search clients even looks better when one realizes that Educational Talent Search clients traditionally do not enter college.

The chart below lists the number of Educational Talent Search clients who are not college eligible, or the aggregate of students who are high school freshmen, sophomores, and juniors, or obtaining their GED.

	1982-83	1983-84	1984-85
Still Enrolled in High School (Fr., Soph., Jr.)	249	313	475
High School Dropouts	2	3	5
Currently Working on a GED	42	114	117
Not College-Eligible	293	430	597

The drop-out rate for these students is less than 1%, which is a remarkable accomplishment for Educational Talent Search when compared to the Wyoming high school drop out rate of 19.43%.

The purpose of the Upward Bound project is to increase the retention and graduation rates of first generation college and economically disadvantaged high school students, and to increase the enrollment rate of these students into postsecondary education. Below is a listing of the number of students served by the University of Wyoming Upward Bound project, locally known as the Higher Education Project (HEP).

Eligibility Criteria	1982-83	1983-84	1984-85
Low Income and First Genration College	134	116	107
Low Income Only	12	13	4
First Generation College Only	14	4	15
Total	160	133	126

The chart below lists the academic progress made by the Upward Bound students.

Academic Progress	1982-83	1983-84	1984-85
Number Continuing High School (Fr., Soph., Jr.)	138	97	92
Number Graduated (Seniors)	22	36	34
Total Making Progress	160	133	126
Number of High School Dropouts	0	0	0
Number Seniors Enrolled in College	14(64%)	26(72%)	25(74%)

The zero dropout figure is quite extraordinary, since the dropout rate for Wyoming high school students is 19.43%, and typically the Upward Bound target population is the students who dropout.

Over the last three years the Upward Bound project has placed 71% of their graduating seniors into postsecondary education as compared to the 37.88% placement rate for Wyoming high school seniors.

The Educational Talent Search and Upward Bound projects have increased the high school retention and graduation rates, and increased the postsecondary enrollment rates of first generation college and economically disadvantaged students in Wyoming. The Educational Talent Search and Upward Bound projects protect the federal investment in student financial aid by ensuring that the neediest students who have the potential to undertake a program of postsecondary education apply to colleges and for student financial aid. Studies indicate that the educational investment in first generation college and economically disadvantaged students benefits society in two ways. First the return on the investment is more than returned in taxes on increased earnings from those students.

Second, the investment reverses the pattern of this population to drain federal and state coffers by becoming welfare recipients.

Turning to the specific recommendations in the authorizing legislation, I would suggest the following.

a) Authorization of Appropriations - Section 417A(c) (Title IV of Current Law)

Present Language: For the purpose of making grants and contracts under this subpart there are authorized to be appropriated $400,000,000 for fiscal year 1988 and such sums as may be necessary for each of the succeeding fiscal years ending prior to October 1, 1984.

Recommended Language: For the purpose of making grants and contracts under this subpart there are authorized to be appropriated $400,000,000 for fiscal year 1988, $450,000,000 for fiscal year 1989, $500,000,000 for fiscal year 1990, $550,000,000 for fiscal year 1991 and such sums necessary for fiscal year 1992.

Rationale: Presently fewer than 10% of the low income, first generation and physically handicapped individuals eligible for TRIO receive these services. The recommended language would allow approximately 900,000 eligible youth and adults to receive services in FY 1986 and subsequent years, a figure which remains substantially less than 20% of the eligible population. A maintenance factor of 9% is used in fiscal years subsequent to 1986 to assure that services are not eroded by inflation. This factor is based on changes in the consumer price index between January 1, 1980 and January 1, 1983.

b) Matching Requirement for Educational Opportunity Centers -

Section 417E(a) (Title IV of Current Law)

Present Language: The Secretary shall carry out a program of paying up to 75 per centum of the cost of establishing and operating programs to be known as educational opportunity centers...

Recommended Language: The Secretary shall carry out a program to be known as educational opportunity centers...

Rationale: The requirement that institutions sponsoring Educational Opportunity Centers provide 25% of the funding for the Centers be eliminated since no other TRIO program has a matching requirement. The Education Amendments of 1980 made substantial progress in bringing consistency to the TRIO subpart; this recommendation would bring further consistency.

c) Educational Opportunity Centers - Section 417E(a)(1) and (2)

Present Language: (1) to provide information with respect to financial and academic assistance available for individuals desiring to pursue a program of postsecondary education; and

(2) to provide assistance to such persons in applying for admission to institutions at which a program of postsecondary education is offered, including preparing necessary applications for use by admissions and financial aid officers.

Recommended Language: (1) to provide information with respect to financial and academic assistance available for college-eligible individuals desiring to pursue a program at postsecondary education; and

(2) to provide assistance to such college-eligible persons in applying for admission to institutions at which a program of

postsecondary education is offered, including preparing necessary applications for use by admissions and financial aid officers.

Rationale: The population jurisdictions between the Talent Search and Educational Opportunity Centers is quite clear in current law. Talent Search focuses on youth and Educational Opportunity Centers focuses on adult when both projects exist in the same target area. This situation is rare, hence most Talent Search projects serve both youth and adult populations and most Educational Opportunity Centers serve both youth and adult populations. For reporting purposes, as shown in the earlier part of this presentation, the destinction between college-eligible and non college-eligible clients makes the reporting much more clear and simple. This is quite obvious since the goal for noncollege-eligible students is to become college-eligible and the goal for college-eligible students is to get into college. Reporting the number of clients served and the number placed in college does not delineate the number who could have been ~~placed~~ placed in college, nor does it indicate the number still finishing high school or completing a GED program. College-eligible students should be defined as those clients who meet college entrance requirements. In Wyoming this would mean a Wyoming high school diploma or equivalent, since all Wyoming higher education institutions have an open door admissions policy.

This concludes my presentation. Thank you again for the opportunity to speak with you today and I hope this information has been of help.

Senator WALLOP. Thank you, Sharon. I appreciate your testimony.

Mr. MUNOZ. Mr. Chairman, thank you for the opportunity to offer my comments on the reauthorization——

Senator WALLOP. Would you, since we do not have you on the list, just for the recorder identify yourself.

Mr. MUNOZ. My name is Mario Munoz, student at Laramie High School and upward bound.

Senator WALLOP. Thank you.

Mr. MUNOZ. Thank you for the opportunity to offer my comments on the reauthorization for the Higher Education Act of 1965. My name is Mario Munoz, and I am a junior at Laramie High School. My testimony today is to express to you what one of the trio programs, specifically upward bound, has done for me over the past 3 years.

I am also going to inform you of the impact that the Gramm-Rudman-Hollings bill is going to have not only on my future but also on the great many high school and college students who wish to pursue careers by obtaining a postsecondary education.

One area in which upward bound is helping tremendously is in academics. I have maintained a 3.68 grade point average because of the help I have received through tutoring during the academic year.

Charlie Harris, the math instructor in the special services project, tutored me during the week of the State math contest, and I went on to take first place. I used to loathe English basically because I did not really have a grip on it. After attending two summer upward bound programs and through tutoring, I now have a vast knowledge of the subject and I love it.

Through upward bound, I have increased my confidence in social skills. Before I was in upward bound, I was an extremely shy person. Now, I am a very successful member of the speech team at my school.

Another important way in which I benefited is personal growth. As I said before, I was a very shy person. During the summer in an upward bound program where I actually lived on campus in one of the dorms with 70 of my peers, I learned how to open up to people. And I am no longer shy nor afraid to express my opinions.

Through the summer upward bound career internship program, I worked with Fuji Adachi, director of the Division of Student Educational Opportunity, and John Nutter, assistant to the associate vice president for academic affairs, at the University of Wyoming.

I gained a sense of what it takes to be in an administrative position and what skills are really important to be successful in that type of job.

The upward bound project has been invaluable to me as a person, student and citizen in the United States. The Gramm-Rudman-Hollings legislation will eliminate 38,500 students from the TRIO program just like myself in fiscal 1986, an additional 123,000 students in fiscal 1987.

Upward bound has intensified my desire to pursue a college education, and I want to become a college professor. I have not determined my major at this point, but I now have excellent mathematics and English skills. I believe if I am given the chance to attend college I will be very academically successful.

With the enactment of the Gramm-Rudman-Hollings bill, I see all of my hopes, dreams and goals vanish along with the budget deficit.

In the 1986-87 academic year, financial aid will be cut by 4.3 percent. When I go to college in 1987, from everything I have read, it was estimated that another 25 percent will be cut from financial aid.

I have not seen estimates for cuts for the 1988-89 academic year, but if the deficit has to be down to $108 billion, that means to me that I probably will no longer be in college. Only the children who are rich will be able to attend college. This means to me that college is only for the children of the rich. It also means to me that only the children of the rich can bring forth the technological advancements to lead the world in medicine, science, and business. The national security depends on our ability to stay technologically ahead of other world powers. Many of those advances could be developed in the minds of the children of the not-so-rich such as myself.

The Gramm-Rudman-Hollings bill endangers the long-term national security of our country. This is the global perspective; now let me tell you what Gramm-Rudman-Hollings legislation is going to do to me specifically.

This bill will take away my life the way I would choose to live it, my liberty in terms of doing academically what I want to do, and halt my pursuit of happiness which is obtaining a college degree.

Life, liberty, and the pursuit of happiness, that is what has made this country so great. Now, are we to destroy it?

In summary, the Gramm-Rudman-Hollings is going to deprive the students of the opportunities afforded me and deprive students like me from obtaining college degrees, while at the same time compromising the long-term national security.

This concludes my presentation. Thank you again for the honor of presenting my views to you this morning. I hope this will be of some use in formulating this important piece of legislation.

Senator WALLOP. Thank you, Mario.

Mr. ADACHI. For the record, I am Fuji Adachi, director for student educational opportunity. I am going to make this portion of the presentation very quick. The purpose of the Special Services project is to increase the retention and graduation rates of first generation college physically, handicapped and learning disabled as well as economically disadvantaged students. In terms of looking at the two concepts, retention and graduation rates, I only need to say that our retention rate for the special services project is 83 percent. The University of Wyoming retention rate is 60 percent, so we outdo the university in the retention sense with a higher risk student, so we are very effective with that. And going to another point in regard to getting students to go on to postbaccalaureate programs the placement rate of the University of—Wyoming graduates into professional and graduate programs in 9.6 percent. The special services project placed 20.3 percent of its graduates into higher level degrees programs.

In regard to increasing the graduation rate of first generation, physically handicapped and learning disabled, and economically disadvantaged students, the special services project has a retention rate of 83 percent and over the course of 4 or 5 years these students will graduate. The graduation rate is increased due to the high retention rate.

This portion of the testimony has been quick and dirty, but I would like to say that we are effective. All three projects, special services, talent search, and upward bound do a fine job. It is worth the investment to assist these people, and we are talking about people. Thank you.

Senator WALLOP. Let me begin by thanking you all, and you especially, Mario, for coming down here. Your view of the effects of Gramm-Rudman-Hollings has been tailored, I suspect, by people who view events as irreversibly gloomy. And I just do not want to bite off on that. There is nothing in Gramm-Rudman-Hollings which portrays the scenario that you just painted for us. It is based on the assumption that nothing will be done about any other level of spending at any place in the Goverment about any level of revenue; about a whole variety of things. And I just am not prepared to accept that that is the way it is going to be. If it were it would result in what you have suggested, and that alone is enough to suggest to me that people are going to be viewing this from an entirely broad-based perspective.

Let me also suggest that this year's sequestration, that small 4.3 percent which is what, $12 billion?

Mr. HONE. It is $11.7.

Senator WALLOP. $11.7 billion has an effect next year of $26 or $27 billion because of changed authorizations not in this program but throughout it. So that the next cut under the worst scenario right now is less than half that which has been bandied about as inevitable.

I mean that is how much benefit future dimensions of spending receive by just one year's accountability.

Now, I am persuaded and I certainly—it is going to be me among others who are working on those things that Congress will prioritize. And programs that have the kind of record that yours demonstrate are simply not going to be part of this drastic type. I am absolutely persuaded of it being that way. Gramm-Rudman-Hollings is not automatically irreversible. It is only automatic if Congress does nothing, and I cannot believe that Congress is going to take the political heat that would be generated from the kind of results that you have just described by doing. It is a mechanism to get Congress to own up to what it has been doing.

But let me suggest to you, and I said earlier perhaps you heard that even after this year's 4.3 percent reduction non-defense spending and non-interest rate spending, but just social program spending will have increased over 8 percent after the 4.3 percent reduction. So it is not as though there is not still some area to prioritize the amounts. But I want to assure you that anybody who has the kind of record that you have portrayed here under their belt and in their credentials is going to go on and make their mark as well it should, and that others like you are going to be doing as well.

I just feel that in my heart. I appreciate you bringing it here because it reinforces my determination to see to it that it happens on that basis, but I think even—otherwise, my guess is that that is the way it is going to be. I hope you sleep better tonight than you must have last night.

Mr. ADACHI. That statement alone makes it worthwhile to have the honor of testifying.

Senator WALLOP. It is a remarkable statement that you have made, and I appreciate it very much and all of you who have presented a nice and cohesive statement enough to keep my juices spirited for battling ahead. But I think we will get it done.

Mr. ADACHI. Thank you.

Senator WALLOP. Thank you very much.

OK. The next panel is Dianna Widick and Colleen Welch, students from Eastern Wyoming College; a parent, Mr. Jane Talbott, and the student Mike Michalk. Who wishes to be first.

STATEMENT OF DIANNA WIDICK, STUDENT, EASTERN WYOMING COLLEGE; COLLEEN WELCH, STUDENT, EASTERN WYOMING COLLEGE; JANE TALBOTT, PARENT; AND MIKE MICHALK, STUDENT

Mr. MICHALK. I will speak first. Let me thank you for addressing the committee. I have some brief comments.

After receiving my Bachelor's from the University of Wyoming and being in the work force for several years, I decided to come back for graduate studies. Although I had savings, I found it was still necessary to borrow money, specifically through the Guaranteed Student Loan Program. I would find that it would be impossible for me to return to school if it was not for the loan program.

As a student, I realized what the ethical and legal obligation of repaying is and have been more than happy to do so. I do not feel overburdened by the amount of loan that I have. I feel that the additional education that I am receiving will more than balance out the additional cost of going to school.

I find it is important for the reentering adult student to have a student loan program maintained for there is probably no other way that I or many other people could return and get an additional education and advance their skills.

I realize, of course, that we have problems today with the increased debt of the Federal Government, but I think it is important to realize that education is one avenue that all individuals in this country can use to better themselves, unlike in other countries.

Thank you.

Senator WALLOP. Thank you, Mike.

Ms. WIDICK. I thank you for the honor of being here. My name is Dianna Widick; I am attending Eastern Wyoming College as a full-time nontraditional student. This is my third semester. I have three children, ages 12, 11, and 4.

This letter is written in reference to the possible reduction of Federal student aid. I, like many other students, find this proposal devastating. Elimination or reduction of assistance could well mean discontinuation of college. I currently receive BEOG, SEOG, and SSIG grants, and a guaranteed student loan each semester. Even with this, I feel under pressure to maintain high grades in my classes so as to be eligible for any available scholarship. At this point my GPA is 3.9. All of this results in a meager living for my family in an effort to remain in college.

I, like many other students, found it necessary to return to school when decreases in wages made it impossible to maintain even an adequate existence. After 16 years in the work force, I find myself reliant upon Federal assistance. To make matters worse, these efforts are being penalized by the public assistance program. Benefits are reduced for any received grants, earned scholarships, and my guaranteed student loan, which I will later be held responsible for. This seems absurd. Human effort should be reinforced and not punished.

There are few alternatives for students like myself. Education is the only road left. Short-term assistance seems a small price for long-term self-sufficiency. We are working hard, all of us. Help us.

Senator **Wallop**. Thank you. Colleen.

Ms. **Welch**. My name is Colleen Welch, and I am also a student at Eastern Wyoming College. Being a returning adult student has been a learning experience. Depending on financial aid, grants, loans, and any other services we have been able to get has been a very stressful situation. Not only am I a college student, but I am also married and my husband is a sophomore at EWC also this year. We have three children ages 7, 5, and 3, and I also drive a school bus and I am also a peer counselor for Eastern Wyoming College's Adult Re-Entry Program.

Last year my husband was the only one that went to college so we did not feel the financial burdens that we have felt this year with both of us going. We decided to apply for the food stamp program in March 1985, and we found it was impossible to pay the bills and buy food also. Not qualifying for medical aid has really hurt. In March 1985 we had our daughter in the hospital, and in April we also had our son in, so during this we accumulated a hospital bill. By the time we went to pay off our debts, we were surprised to find out that no matter how much we made or what kind of bills you had, it still reduces your—when we tried to make extra money to help reach those debts, we reported it to the DPA office, you find out that half your earnings were taken out in food stamps, and it felt like we were spinning our wheels and not going anywhere.

By the time you pay for your expenses, earning a little extra money after taxes are taken out, and then they reduce your food stamps, you find you do not have anything. Half the time you even find out that you may have been in the hole.

This year we received Pell grants at the beginning of the year, plus our other income, we ended up filling out the form for the SEOG to help with our personal expenses. We listed all that we made for expenses that year, and also they wanted a quantity food stamps that you received. Well, after that was all figured out, we received our SEOG money and you have to report it to the DPA office and they turn out and take it out from food stamps. So you are going backwards again. The money they gave you did not help at all. If anything, it puts you behind. So by the time the Government takes out what you really give, it is hard to get ahead. The only way you can do that is make enough money to get off the programs, but then you will not have enough to put yourself through college or get the help to do so. When college students go to school, they have the idea to get an education and to earn more than the minimum wage. To be able to get high grades, you have to take the chance for job opportunities. You end up carrying a lot of hours and stuff, and sometimes that does not qualify you for the time you need to get outside jobs, especially when you do have a family. And one of the things I find is, you know, it is a main investment because we will pay the money back when we make more money, and coming to school before, my husband and I both worked so it is not like we never put into the system. We may be taking out what we put in, but by the time we are done with college and have our degrees, and we will be putting in many times over what we ever took out. And hopefully we will be able to help other students to reach their dreams and goals as we are trying to do now.

Thank you.

[The prepared statement of Ms. Welch follows:]

STATEMENT BY COLLEEN WELCH

TO: Members of the Senate Sub-Committee of Education, Arts and Humanities

Being a returning adult student has been a learning experience. Depending on financial aid, grants, loans, and any other service we have been able to get has been a very stressful situation. Not only am I a college student after being out of high school for nine years, I am also a mother of three children, Andrew, age seven, Amy, age 5, and April, age 3. I am also a school bus driver and a peer counselor for Eastern Wyoming College's Adult Re-Entry Program. I am married to Jerry, who is a student at Eastern Wyoming College.

Only Jerry went to college last year so we didn't feel the financial burden that we have felt this year with two of us going to college. We decided to apply for the food stamp program in March of '85 when we were running out of money to pay bills and buy food. Not qualifying for medical help really hurt us. In March of '85 we had to take our daughter, Amy, to the emergency room, and in April '85 our son, Andy, had to go into the hospital for two days. Our hospital bills for the two were $1800. Our doctor and prescription bills added up to another $350. When we began to pay off the debts, we were surprised to find out that it made no difference in our quantity of food stamps. Jerry and I tried to make some extra money to help pay the bills. Then, when we reported it to the D-Pass office, about half of our earnings were taken out in food stamps. It felt like we were spinning our wheels and not going anywhere. If anything, it felt like we moved backwards. By the time we paid for the extra gas expense, taxes, and how much was deducted from the food stamps that were counted on to make it through these changing times, there were few dollars left over -- if any.

This year at school, Jerry and I received our Pell Grants at the beginning of the year. The other source of income we had was the money I earned driving bus which usually paid for the rent, electric, and phone bill. Living in the country we pay lower rent but we well make up for it in our gasoline bill each month and our propane bill during the winter. The energy assistance program helps but it doesn't pay it all. We also filled out a form for an SEOG and it was about our personal expenses. We listed what we make and what we thought our expenses for the year would be. Also we listed the amount of food stamps we received to help with the food bill. After all was figured in, we received the SEOG money. The when I reported it to the D-Pass office they turned around and deducted it from our food stamps. So this is what government programs are intended to do? It is really hard to try and keep ahead of the bills when the government takes it away. The only way to make any extra money and stay a step ahead is to totally be off any government program and be totally self-sufficient. But by going to college it is not very feasible.

When we college students, go to school the idea is to be able to get an education and earn more than minimum wage. To be able to get high grades and have a good chance at job opportunities, Jerry carries at least 20 credits which makes it hard for him to get a job. If he did there would be no time for the family. We may need the help for a few years, but we will pay the system back when we start working again and paying taxes. Before my husband and I went to school, we did work and pay taxes. We may be taking some money from the government now, but we will give it back many times over and hopefully be able to help other college students reach their dreams and goals also.

Colleen Welch

Colleen Welch
Full-Time Student at Eastern Wyoming College
February 10, 1986

Mrs. **Talbott**. All right. My name is Jane Talbott, and I am a rancher's wife and we have lived in the Albany County area nearly all our adult lives. I was born and raised in—since 1978 we have been using financial aid to put our family through college both at the University of Wyoming and three different community colleges; namely, Sheridan, EWC, and now at LCCC. And now we have one daughter who is in high school who will hopefully be looking for college. They have used BEOG, Pell grants, guaranteed student loans, and SEOG. So we sort of have been through the whole gamut of what is available.

One of the student loans was used at a community college in Washington State, I might add. I feel like it has really been very beneficial to our family although these kids have worked summers and vacations and part time when they were going to school and also had worked steady jobs. I do not feel that that hurt them. I feel I am pleased that they were able to help themselves to some extent, and I do not feel that Federal funding should be expected to foot the whole bill for anyone's education.

I am also pleased that they have each had one scholarship each year to go on, and in our case, Federal aid to education has made it possible for them to have uninterrupted schooling. They have not had to take 1 year out to work or anything like that and have gotten through in the 4 years that you would hope to be able to do it in.

I guess in our situation I would consider all the help we have had in some ways, agriculture subsidy, because without it they certainly would not have been able to—I would not say they would not have gone because I think they would have, and they would not have been able to do it in one long 4-year continued timeframe. I am sure they would have had to quit somewhere along that time and work. And I would particularly like to compliment the financial aids office at the University of Wyoming for all their help because these forms get to be really something to some of us, and they have been very helpful whether my children were going to be students here or at other colleges. They have been more than helpful on what to do, when to do it, and in answering questions.

As you are probably aware, the paperwork becomes a little tough to handle, and a lot of the questions asked do not meet anyone's situation or the answer you might give—they were very helpful with that, so I thank you for the opportunity to testify.

Senator **Wallop**. One of the things Michael points out to me had been brought to our attention not in the hearing today, although I think it was alluded to briefly. Farms are included amongst the assets which would make a very difficult situation for a lot of people who have a farm that has a value but let them try to sell it. We will look at that when we go back.

I hear some of the things, and one of the things that I appreciate about this sort of elective witness that you have given today is that education is worth some sacrifice to achieve. All of you in a different way have spoken to that, and I think that is important and it is important, I think as well, that it remain that way, that it not be viewed as it is, for instance, in Holland where you have people who are full-time professional students up to the time they are 48 or 50 years old because everything comes along and it is free and it is an easier way to live than working. It should be an achievable sacrifice, I guess is what I am saying. It is not likely to be much different than that for a while to come.

The Gramm-Rudman things will have, I think, less effect on these programs than has been described or been feared here because of things that I said before. But nonetheless, I think that it is fair to predict that it is not going to be any smoothly greased road to travel for anything.

I hear your frustration, Colleen, with regard to the food stamps. Currently all the welfare programs under Social Security are protected. And really, the only one left is the Food Stamp Program. Some small move on that was done in the farm bill, but I do not mean to mislead you. I think it is still going to be an aggravation and a complication as it goes along.

I salute you and your husband for the efforts that you are making. We will take that into account with the rest of the resources that are to spend on the things that Government must do.

Having had until this year four children undergraduates at universities here and around the country, I know a little bit about the cost of higher education. I do not know what I have done to offend the education god, but whatever it is, I am fervently sorry. And, you know, it has been not without some sacrifice in our family, too, though not as you have described for yourselves, you, Dianna.

Well, what I guess I am trying to say is I think what you have told us here today is very useful. I think the promise that I can give you is that the program will exist probably at least as well as it does now, almost certainly not better than it does now. The sacrifices will still be there, but the kind of sacrifices you are making make America a little stronger place when you all get out and contribute to the society.

I wish that I had it within me to do the dishonest thing and tell you that there is going to be a rain of money that comes down, but I do not see it coming even if I wanted to try to do it. But I do not see it coming in the circumstances.

Now, so I think we can and should resolve together to try to make it at least this much possible where there is an opportunity to improve on it, and basically, I think we do that by accountability. That is making sure that what resources we do devote to it go to those with the most need for it.

Jane, I share with you that the gratitude that there are some people to help you fill out those forms. If it was not for that, this would be an impossible world to live in. So thank you all. I appreciate your testimony.

We are privileged to have the director of libraries from the University of Wyoming, Keith Cottam.

STATEMENT OF KEITH M. COTTAM, DIRECTOR OF LIBRARIES, UNIVERSITY OF WYOMING

Mr. COTTAM. It is my privilege to be here. I have given you a written statement, but rather than read through that, let me make some additional comments for the record.

I think that what we have emerging here in Wyoming in terms of our library programs is exciting, and in the context of the

Higher Education Act it is important that we express our opinions about related issues and see how you feel about them.

In 1982-83 the Wyoming Legislature doubled the acquisition budget for the university libraries from about $1.15 million to $2.3 million. That action recognized that the University, aspiring to be a research institution as well as an instructional institution, requires a respectable research library to support its programs. Our target is one million volumes by 1990, but with those volumes comes responsibility for preservation of the material, and, more importantly, for access to the information contained therein.

While Wyoming has done a great deal on its own to support the university libraries, the libraries have not benefited from the Higher Education Act. We are emerging as an important link in the Nation's research library network, and we are therefore very interested in the future of the Higher Education Act.

A few observations about where the university is now in developing its library programs is important as a demonstration of our commitments, not only to the State but also to the Nation. *About 80 percent of our holdings are now available in the national OCLC database. *The collection has increased from about half a million volumes to over 800,000 volumes during the past five years.

*The library's catalog is now automated and online, and it will be available in the near future throughout the state. *Our extension programs workload—the delivery of information in support of our educational programs around the State—has tripled since 1983. *We are a net lender within the Nation's interlibrary loan network, which means that we loan more than we borrow.

*Our archival and special collections are increasing dramatically both in volume and in national reputation.

All of those things have been done without Federal support, but as we grow, develop and become more important as a national resource, we are becoming more aware of the need to participate in the libraries part of the Higher Education Act, particularly Title II-C, "Developing Research Library Resources."

It is not difficult to explain the importance of title II-C and other federal support to the Nation's research libraries. For example, bibliographic control has been substantially achieved over current publications in America, including tens of thousands of magazines and journals. Dramatic preservation efforts are being mounted to stem the equally dramatic deterioration problems within our collections. Special research collections for the first time are being processed and added to the Nation's bibliographic databases. Networking and sharing of resources has been achieved throughout the country.

These achievements have been possible in large part because of the substantial partnership between the Higher Education Act and institutional commitments to catalogue preserve and share the nation's treasure of information resources.

In the prepared statement I gave you, there is a paragraph which states: "The importance of information—of knowledge—is fundamental to the economic foundation and structure of American life. In essence, knowledge is power in the hands of our citizens, knowledge which is represented and available in the resources of the nation's libraries. Society today is dependent on information to progress, improve, grow and develop—it permeates our lives and influences everything we do—and we owe it to ourselves now and for the future to build and preserve organized and accessible library resources. It is also quite clear that educational opportunities are rather empty without a foundation of knowledge in the form of recorded information."

I appreciate this opportunity, and I appreciate your interest in the Nation's libraries and your support for the Higher Education Act.

Senator WALLOP. That is an ambitious goal which you have set upon to acquire 1 million volumes by 1990.

Where are you?

Mr. COTTAM. A little over 8,000. We are adding over 40,000 volumes each year which is one of the highest acquisition rates in the country right now. We are supporting 32 Ph.D. programs on this campus, and you cannot do that without a respectable library.

Senator WALLOP. No.

Do you see the Federal Government becoming more involved?

Mr. COTTAM. I do not really see it becoming more involved. I think that the rigorous process of identifying important collections and resources that require processing, cataloging and preservation is absolutely necessary. I do not see us pouring more and more money into these processes, but I do see that it requires the additional and prudent support that the Higher Education Act provides.

Senator WALLOP. May I just make a suggestion, that is to use it without becoming dependent on it.

Mr. COTTAM. Absolutely.

Senator WALLOP. It is a good thing, but would make a university department depend on outside sources and other judgments for its survival.

Mr. COTTAM. I think that the projects that have been carried out thus far with Federal support have been those which probably could not have been carried out by institutions or States alone. We have gained important bibliographic control over current book publications and current serials, and we are now moving into processing the very substantial special collections around the country. But are reaching that point where we do not need more and more money; rather, we need very careful selection of collections and projects which require federal support with funds that are available.

Senator WALLOP. Well, just as an example, take the number of communities around America that use their revenue sharing for basic service employees, fire, and other things. A number of them use that for other kinds of events and funded their basic service, you know, through their local tax base. Those who use revenue sharing for basic service are going to have drastic restructuring of community life as we go out of revenue sharing. Those who used it for taking care of—nice to have things or even necessities along the way—are not going to be so terribly hard hit, and I guess that is the kind of suggestion I am making, to make use of those funds is to find those things which address to the dimension of the university library, but do not address to the departments.

Mr. COTTAM. I think that is right. In years past communities relied on local library sources, but because of library cooperation, networking, and the development of national and international databases, I am able to tap Cornell, Stanford, Berkeley, or Columbia, or whomever else I need to tap for resources. That would not have been possible before the influence of Federal support.

Senator WALLOP. Let me suggest to those still left in this room about "heart to go on"; that that is one of the things that will, almost unbelievably, be comparison between ourselves and the Soviet Union. That information is devastatingly threatening to them.

I talked to one of their people who came by about personal computers. What are you going to use a personal computer for in the Soviet Union? You cannot. Well, we will put them at the library for selected people to have access. That is not a library, that is not information activity as we sometimes lay burdens upon ourselves as not being a whole lot different from the Soviet Union. That is one area we find extraordinary, what it means to be in this part of the world as—we do it as knowledge. They view it as a total threat to power.

Mr. COTTAM. I could not have made the statement any better. Thanks, again, for the opportunity to be heard today.

[The prepared statement of Mr. Cottam follows:]

STATEMENT BY KEITH COTTAM

STATEMENT BEFORE SENATOR MALCOLM WALLOP,
SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
February 14, 1986
Laramie, Wyoming

On December 30, 1985, I wrote to Mr. Michael Hoon, Legislative Assistant for Education in the Office of Senator Malcolm Wallop, and expressed briefly a few concerns and opinions regarding the reauthorization and revision process for the Higher Education Act of 1965. I have also spoken with Mr. Hoon over the phone, and I appreciate this further opportunity to offer comment.

Title II of the Higher Education Act has had a substantial impact on the nation's libraries, most notably under Title II-C in the area of developing research library resources and making those resources available through powerful networking systems, such as OCLC, which have been implemented during the past two decades. Funding from Title II-C has enhanced the nation's ability to preserve our great library collections and make them more readily available and accessible. It has addressed some fundamental problems: The need to organize information, preserve it, make it accessible and to share it nationwide.

The importance of information--of knowledge--is fundamental to the economic foundation and structure of American life. In essence, knowledge is power in the hands of our citizens, knowledge which is represented and available in the resources of the nation's libraries. Society today is dependent on information to progress, improve, grow and develop--it permeates our lives and influences everything we do--and we owe it to ourselves now and for the future to build and preserve organized and accessible library resources. It is also quite clear that educational opportunities are rather empty without a foundation of knowledge in the form of recorded information.

The University of Wyoming has never benefitted from Title II-C of the Higher Education Act, but the institution is clearly emerging as a research institution, and its library system is keeping pace with the development. The State Legislature and University Administration have both made a commitment to develop a respectable university research library, and I am very pleased to see the proposed amendment for Title II-C which may be of particular value not only to Wyoming and its university, but also to the nation:

> "(c) In determining eligibility for assistance under this part, the Secretary shall permit institutions that do not otherwise qualify to provide additional information or documents to demonstrate the national or international significance for scholarly research of the particular collection described in the grant proposal."

The impact of additional support through Title II-C could be appreciable in support of the University Libraries' efforts to catalog material, preserve it and make it accessible to students, scholars and others who need it. In Wyoming the effort to strengthen the University's library system, its scholarly information system, is having a substantial ripple effect on libraries throughout the State. In the region, the University of Wyoming Libraries system is now recognized as a major information resource. Nationally, University of Wyoming library records are routinely added to the national OCLC bibliographic database, but substantial special and archival collections held by the University remain to be processed and made accessible to a broader national audience of scholars. We look forward to an opportunity to compete successfully for Title II-C funds under the provision of the proposed amendment. I regret the need for current spending ceilings in the proposed II-C reauthorization, but I believe for now that fiscal responsibility is essential in all federal spending programs.

Regarding Title II-A, if it is to continue, the development of rigorous criteria to target grants to the neediest academic libraries is appropriate. Maintenence of effort in relation to materials expenditures should be assured as in current law. Insufficient appropriations should result in fewer grants, not smaller grants, and libraries should be expected to designate specifically how they plan to use the funds in grant applications and then report on their use after the grant period in conjunction with other final financial reports. An evaluation of this program should be conducted at regular intervals to insure that it is having a worthy and significant impact on college library resource development. in the past the few hundred dollars distributed to any library which filled out a form was of little consequence in the effort to truly develop college libraries. I appreciate the congressional criticism of the program but I believe the proposed amendments may help to correct some of the problems. I would add one suggestion: Perhaps a matching requirement would enhance the program in so far as 1) the funds awarded will be fairly small and would require a small sum for matching, and 2) a matching requirement would reinforce the need for commitment to the need for institutional responsibility for supporting college libraries.

Under Title II-B, critical training and research programs are supported with a view to the future development of America's libraries. Library career training programs, and research and demonstration projects, are essential if we are to stay at the forefront of managing our burgeoning information society. Wyoming's benefit from this program my be expected to be generally indirect; that is, what we learn from others rather than what we receive in direct funding.

We are as dependent as others are on the development of a talented professional labor pool, new knowledge from research projects, and practical results from demonstration projects.

While the repeal of Title II-D is proposed, I wish to go on record in support of the proposal put forth by the American Library Association and the Association of Research Libraries. Under the proposal, a new part D would be established for competitive grants of at least $15,000 for up to three years, with a one-third matching requirement(I personally favor a higher matching requirement.), and would be made to:

(1) Institutions of higher education which demonstrate a need for special assistance for the planning, development, acquisition, installation, maintenance or replacement of technological equipment (including computer hardware and software) necessary to participate in networks for sharing of library resources.

(2) Combinations of higher education institutions which demonstrate a need for special assistance in establishing and strengthening joint-use library facilities, resources or equipment.

(3) Other public and private nonprofit organizations which provide library and information services to higher education institutions on a formal, cooperative basis for the purpose of establishing, developing or expanding programs or projects that improve their services to higher education institutions.

(4) Institutions of higher education conducting research or demonstration projects to meet special national or regional needs in utilizing technology to enhance library or information sciences.

The recommendation recognizes that capitalization costs have posed a significant barrier to the full utilization of technological developments by academic libraries. The goal of a nationwide network of information resources in support of scholarship would be strengthened by such a program.

The Title II-D could conceivably contribute needed support to Wyoming's focus on the need to develop and enhance the delivery of continuing education and training programs and information resources to its rural population. The W.K. Kellogg Foundation is now working with the State to effect greater cooperation between the University Libraries, the State Library and the University's Extended Studies Program to demonstrate more effective ways to use telecom munications, information networks, joint-use facilities, resources and equip ment, innovative instructional design, and interstate cooperation. The ability of Wyoming to reach the goals of this program could be strengthened by library technology and cooperation funding under a Title II-D.

Thank you for your support of America's academic libraries and for your interest in strengthening Wyoming's information resources as an important link in the nation's system of libraries.

Keith M. Cottam

Keith M. Cottam
Director of Libraries
University of Wyoming

Mr. **DEWITT**. Thank you, Senator.

Senator **WALLOP**. Thank you.

May I say we have been thoroughly pleased and are most appreciative of the efforts your daughter made for us. She is quite creative.

Mr. **DEWITT**. We are most pleased.

I can mention our respect for your judgment at this point.

STATEMENT OF JOHN DeWITT ON BEHALF OF SINCLAIR ORENDORFF, PRESIDENT, NORTHWEST COMMUNITY COLLEGE

Mr. **DEWITT**. But I am John DeWitt, and I am here representing President Sinclair Orendorff for Northwest Community College, who asked me to come down.

So many of the comments I was going to make have been made by others so I will certainly keep these very brief.

Northwest has one of the largest student financial aid programs in the State. Of our 900 full-time students, 514 receive this past fall—these are assistance under the Pell or GSL for 57 percent of those with total aids of nearly $1 billion.

It worked out that 60 percent of that monetary total was under the GSL and 40 percent under the Pell grants. I wanted to make this point, Senator, because we are a small institution. We continue to know our students very well, and we have some observations.

We believe there have been abuses of the Federal financial aid program in the past. We think those are being reduced considerably, and we recollect identification of 100 percent validation.

I think the subcommittee, of which you are a part, should look at the fact that this validation, 100 percent, required this fall may reduce the total allotment necessary for student financial aid even more than the Gramm-Rudman requirement. We do not think that this would be unusual in our own spot checking. We think this possibility exists.

At Northwest, we fully agree that there should be a limit on the Pell grant and on to certainly no more than one---half the cost of attendance. We believe that the effects of the Gramm-Rudman legislation will probably increase the number of Wyoming students remaining in Wyoming. And that will probably be true of each State in the Union.

We realize that it will limit options, but some of those options may not be educational rights as such, and certainly students who have talents for which the expensive private schools are looking will be helping to get help from those more expensive schools to—from their endowment to cover that cost per share in that cost of attendance.

What we are particularly concerned about, that the child care aspects remain. All of the community colleges and now the University of Wyoming are involved in child care service, and we are a little frightened at Northwest with the loss of Thyra Thompson with her not planning to run again. She has been probably the strongest supporter of child care services in Wyoming. And we will hope that our legislature will continue to include it in our State-supported budgets.

One thing we have done in our attempt to understand the effects of financial aid on students is that in our data the Pell grants and the loan do not have a major impact on retention to the same degree that college work study has on retention of students and their perseverance in college. So if there have to be some cuts, we would like, at least, for the subcommittee to consider emphasizing the work study matching kind of program.

We believe that campus employment is best form of aid. It helps students with time management. It helps identify with the institution they are attending. It helps increase both the retention and the academic performance. Those are our findings.

We do not know what other institutions have found on that.

We fully agree with the academic performance requirement and loss as long as there is an appeal process for the emergency situations that have contributed to a bad semester. We think the defaults, the way they are being handled now by cross-referencing with the IRS, are most appropriate. We think somewhere there has to be a maximum on the amount of Federal aid that goes for an undergraduate student, and possibly also another different ceiling for a graduate student.

At Northwest, we would say that the impact on our students, about 13 percent of our students presently receiving Pell grants would be impacted under this, and about 8 percent of those under GSL's would be impacted.

We do want you to know how deeply appreciated the hard work and efforts are, and that education in general, it will cry a lot, but I think we are really—well, the whole country is willing to say that improvement or a bald Federal budget is nothing, that we are all willing to take some sacrifices on.

Senator WALLOP. John, thank you.

I did not and should have asked others who commented on the college work study program.

Do you have trouble filling the slots?

Mr. DEWITT. No, not at all. We never have enough college work study money under the Federal program. In fact, we use institutional resources, and especially from private areas, to—well, more than triple the amounts we get under the Federal aid or Federal Work College Study.

Senator WALLOP. The interesting thing there, what is—Virginia has slots going begging. Just one of the reasons why this timing up process is going on. Virginia and other places have found that they cannot fill.

Mr. DEWITT. Well, we are using $57,000 this year under Federal college work. We are using $163,000 of private and other sources, instruction——

Senator WALLOP. That speaks——

Mr. DEWITT [continuing]. To employ 100 students.

Senator WALLOP. What it does, it is a nice comment about Wyoming, a nice comment about the student body that this State produces is that——

Mr. DEWITT. And where 10 years ago, some jobs were not well done. Now, that has almost evaporated now.

Senator WALLOP. I meant to ask the university that, and I will before we close this record, and ask how they are doing.

But let me say that I appreciate it. And does anybody——

Mr. DEWITT. Thank you very much.

Senator WALLOP [continuing]. Have a comment?

Ms. Moriarity.

Ms. MORIARITY. Yes.

In your comments to work study, I took, like most financial administrators, feel it is a terribly important Federal aid program. However, I would make one comment in regard to what Mr. Sinclair said, when you have a very large number of adult students, many of them single parents, and especially many of them who are in low-income areas under public assistance programs, these individuals find it very difficult to have time to work in those jobs and also have time for their children. So that work study is one option, but we need a whole variety of programs to meet all the special needs of our students.

Senator WALLOP. Not attempting to speak for him, I do not think he suggested that. It would be to the solution of others.

Mr. DEWITT. And certainly our two colleges differ considerably, and we understand their point, that is true of the older students.

However, our population age is probably nearly 10 years younger than EWC.

Senator WALLOP. Before we close this, let me thank Michael Hone of my staff who was instrumental in getting the committee to hold this hearing out here. And let me thank the committee for permitting me to hold it out here and you all for having made it quite creative and quite articulate, and I think informative work for the committee to sink its teeth into.

I am sure as a result of this hearing that some changes in the act, as it is presented, 1965, will be forthcoming, and some things that others might wish to change will be resistant because of testimony that we heard today.

So, with that, I call the subcommittee adjourned, and thanks to all.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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